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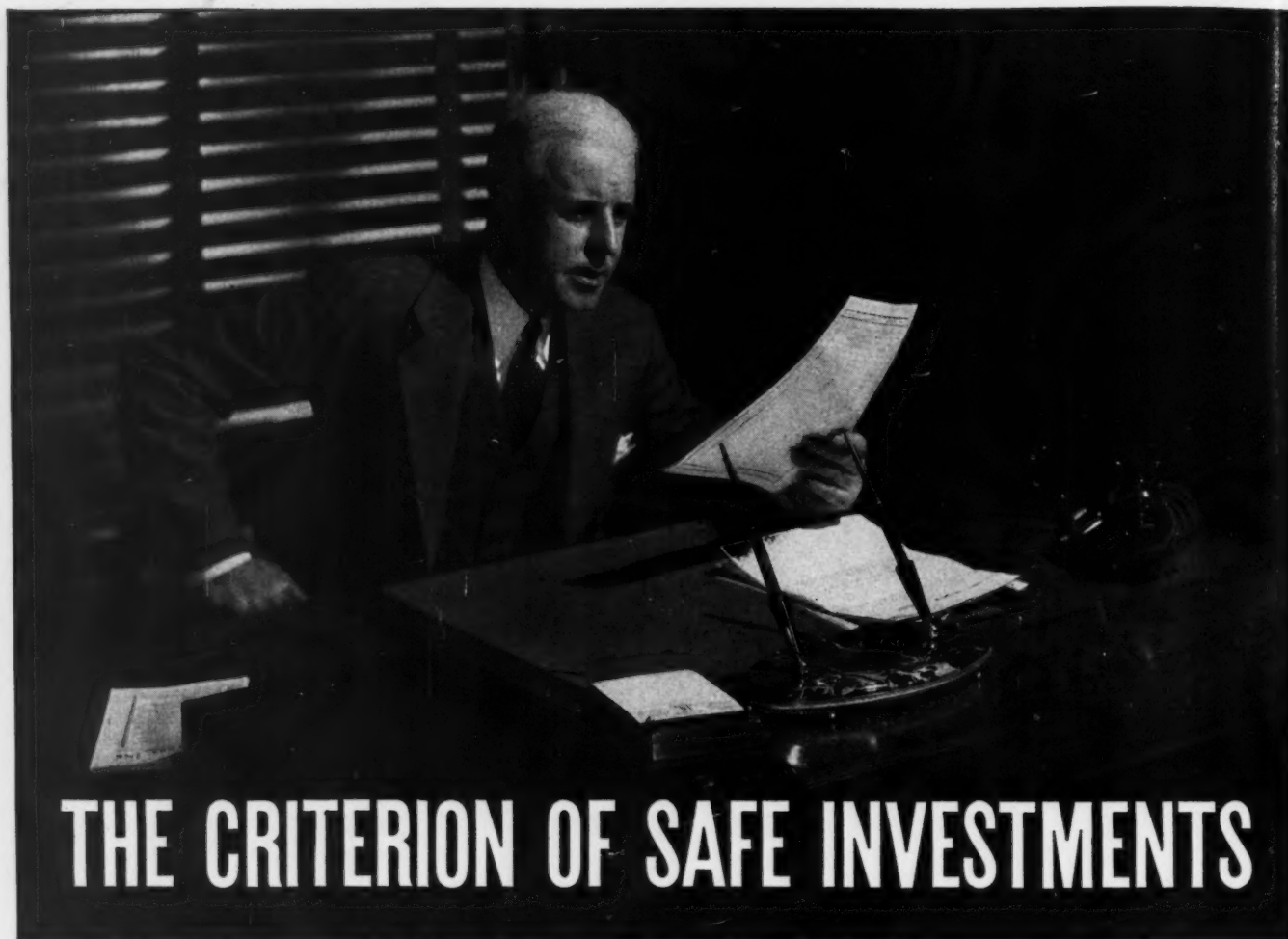
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Fire prevention is credit protection



THE CRITERION OF SAFE INVESTMENTS

To the men engaged in the Banking business, investment is an important issue. They know by experience the value of accurate selection of securities best adapted to their depositors' funds. Their first consideration is the choice of safe and reliable investments which can meet their demands unflinching.

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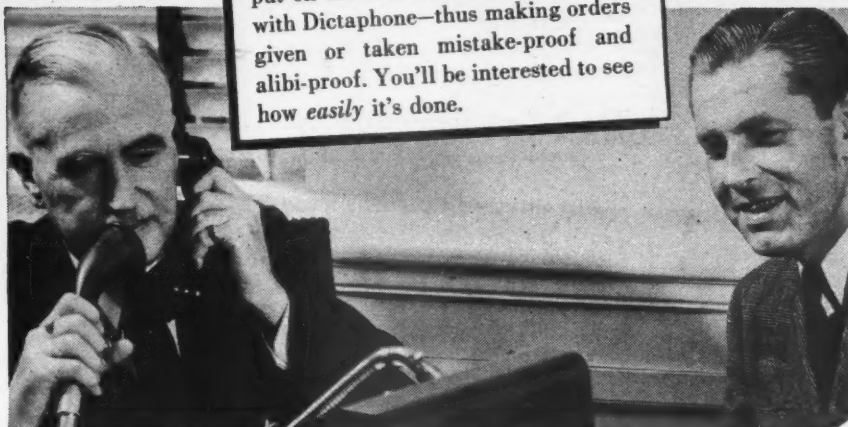
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CREDIT

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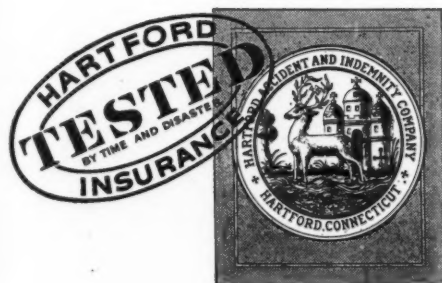
POSITION	Amount of Loss	Amount of Bond	EXCESS LOSS	POSITION	Amount of Loss	Amount of Bond	EXCESS LOSS
AID SOCIETY				FREIGHT BROKERS			
Secy.-Treas.	\$ 2,119	\$ 500	\$ 1,619	Collector	\$ 5,900	\$ 2,000	\$ 3,900
ALCOHOL COMMERCIAL MFR.				FRUIT & PRODUCE (WHOLESALE)			
Branch Manager	46,000	5,000	41,000	Bookkeeper	75,000	2,000	73,000
APARTMENT HOUSE				Salesman	2,024	1,000	1,024
Manager	7,298	5,000	2,298	FURNITURE, RETAIL			
ATHLETIC CLUB				Coll. Clk.	22,000	5,000	17,000
Auditor	5,897	5,000			20,288	5,000	15,288
AUTOMOBILE DEALERS					710	500	210
Distributor	98,700	50,000			1,210	1,000	210
Bookkeeper	46,915	1,000		FURNITURE (WHOLESALE)			
Asst. Cashier	16,872	10,000			15,000	1,000	14,000
Secy.-Treas.	11,835	10,000		MANUFACTURERS			
Shipping Clerk	6,333	5,000			2,052	1,000	1,052
AUTOMOBILE MFR.					1,771	1,500	271
Asst. Manager	12,992	5,000			5,178	2,500	2,678
AUTO RADIATOR MFR.				FURS			
Bookkeeper	5,486	3,000			13,424	1,424	12,000
BEAUTY PARLOR EQUIPMEN				GENERAL MERCHANDISE			
Manager	1,000	500			612	500	112
Manager	4,000	1,000			2,000	3,000	19,000
BENEFIT ASSOCIATION				GLASS MFR.			
Secy. & Treas.	16,343	3,000			14,867	1,000	43,867
BOARD OF TRADE				WALU COMPANY			
Office Clerk	9,400	5,000			2,518	2,000	518
BOOKSTORE				GOLF CLUB			
Stock & Shpg. Clk.	1,000	750			6,289	5,000	1,289
BOWLING CONGRESS				GRAIN COMPANIES			
Treasurer	1,007	800			2,250	1,000	1,250
BUSINESS MANAGEMENT CO.					17,000	2,500	14,500
Cashier & Bkpr.	9,410	5,000			7,536	2,000	5,536
BUTCHER				GROCERY RETAIL			
Cashier & Bkpr.				Bookkeeper	4,878	2,500	2,378
Broker				Off. Mgr. & Bkpr.-Cahr.	3,362	3,000	362
CH					1,140	1,000	140
Salesman					2,404	1,000	1,404
Salesman					345	1,000	845
Salesman				(WHOLESALE)			
Cashier &					2,500		2,717
Treasurer					12,500		16,845
Superintendent	8,000				1,500		344
CHEMICAL SOCIETY					1,000		567
Asst. Secy.	6,509	2,000	4,509		1,000		1,175
CHURCHES					1,000		2,445
Treasurer	100,000	25,000	75,000		1,000		3,606
Treasurer	1,000,000	50,000	950,000		1,000		800
					1,000		2,300
					15,000		7,879
					5,000		18,557
				Driver	1,913	750	1,163
				Bookkeeper	1,684	1,000	684
				HARDWARE			
				Bill Clerk	1,455	500	955
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These losses could have been covered at a relatively trifling cost.

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Business and legislation

Q Business generally dislikes regulatory legislation. Business leaders conscientiously feel that much of the hesitancy in developing a long-range program for business can be attributed to the attitude of Congress towards business. Business is particularly vociferous in its objection to the restrictive and punitive type of legislation.

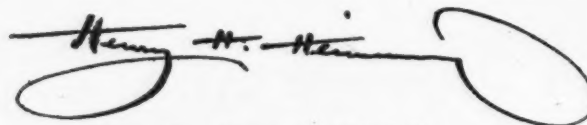
But it would be well for business leaders to interrogate themselves as to what effort, if any, they have made through the exercise of their citizenship rights to constructively change this attitude. American business men are supersalesmen when it comes to the distribution of their products, but they seem as out-of-date as the old-fashioned drummers when it comes to their legislative needs. In the days of plenty and expansion, business may have felt it unnecessary to undertake this type of selling job. Today, however, it is the most important assignment confronting business.

It includes the right type of advertising: informing the public about the healthy working conditions and the fair treatment of labor by the plant offering the product, outlining the contribution of the business to a higher standard of living, presenting vividly the contributions of business to the support of the government.

The time to launch this selling program is now. But even before any of the general selling is attempted, now that his Congressmen and Senators have returned from Washington, each business man should make it the first order of business to visit his representatives. This visit should be a personal one. Banquets, group meetings are not effective. Go to the representative's home or office and give him your side of the business story. Frankly discuss legislation with him.

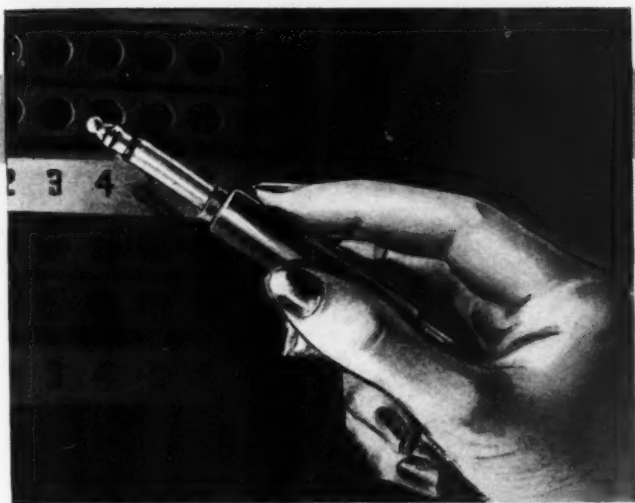
Representatives in Congress must reflect the views of the majority of their constituents if they are going to hold their jobs. Unfortunately they have not had the business view presented to them in systematic fashion. Other groups have not been so negligent. If every business man in the United States followed this program, the objectives of business would be well understood and business men would probably have less objection to future legislative measures.

Industry is the basis of all accomplishment. No one knows that better than a business man. But in the past he has been among our laziest citizens in the matter of selling his viewpoint to his legislative representatives.



Executive Manager, N.A.C.M.

GOOD CONNECTION



GOOD MORNING



GOOD-WILL



- by Long Distance

A TELEPHONE TALE IN THREE CHAPTERS

• Your "good morning" is friendly and engaging. You talk back and forth as clearly and as easily as if you were face-to-face. More complete information usually brings more cordial understanding . . . and a satisfactory settlement.

Good-will grows from such calls, too. Customers appreciate your personal interest and respond in kind. Doing business becomes to *both* of you more than a mere matter of name and number.

That is why credit men increasingly depend on Long Distance. Try it yourself and see how little it costs in proportion to what it accomplishes. Learn how *low* today's rates really are!



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Credit guidance in

by HON. DANIEL C. ROPER, Secretary of Commerce.

C Many important social and economic developments have transpired in the past four years.

Through the cooperative endeavors of Government, business and courageous credit men in prompting confidence, we have come a great distance on the highway to general national prosperity.

It is of significance that the weakening of the fundamental elements of sound credit contributed to the national nervous breakdown of 1929. It is equally significant that credit was one of the surviving assets of the depression and has been a fundamental force in restoring recovery. Thus it is that while some of you have only a limited financial interest in the enterprises with which you are connected, you do occupy key positions in the commercial structure and are charged with the solution of increasingly complex problems.

Under the demands of our modern economy, we are having daily proof of the adage that credit is often more serviceable than cash. Thus our attitude should be directed to its proper safeguarding and wise utilization. This is the approach we must take to future stable progress if the pitfalls of the past are to be avoided.

Credit has been one of the prime factors in facilitating the growth of American business and the development of this country. Its wise utilization nourished and supported confidence at times when cash was unduly timid or

was paralyzed by fear. It has been effectively demonstrated under normal and abnormal conditions that credit is in fact the life-blood of our trade and commerce. Every locality throughout the nation illustrates this.

A nation is great because it has, through the credit, factors of courage, initiative, integrity and human ingenuity, been able to initiate and cooperate in developing greatness in the producer, manufacturer, tradesman and banker. A nation's economic power, however, is not complete within itself. It draws its sustenance from the remote corners of the earth, just as have all nations which are recorded in history as great.

Through the various stages of human development we therefore only not recognize the interdependence of our social and economic groups, but the evolution of credit procedure, from the days of crude barter to our present highly developed system, in which faith and confidence form the spearhead of business progress.

The progress of the United States during the past four years is impressively illustrated by reference to the income produced by the American people. It is particularly reassuring when related to the increase in the national debt, created by emergency demands. For example, since 1933, the income produced by the people of the United States has increased \$22,000,000,000, while the net Federal debt has increased less than \$10,000,000,000.

The significance of the strength of our fiscal situation is also impressive when we consider that the per capita public debt of the United States is about half that of Great Britain.

Thus, under the impetus of a sound financial structure, ample bank reserves, increasing dividend payments and large crop prospects, credit men and business in general are justified in looking to the future with confidence. Never was the field of business a more inviting domain for the application of those principles which stand for integrity in human relationships.

More than two thousand years ago, Aristotle said, "For it is a man's nature that makes him trustworthy not his wealth." So it is today that the best credit risk is not always the individual who can show the best balance sheet of material assets, but he whose reputation is based on character.

Syrus, the Roman oracle who also lived before the Christian era, said, "He who loses credit can lose nothing further." That philosophy is equally true today. The two parties to a credit transaction who can come to terms on the basis of character considerations will mutually prosper and their country's safety will be assured. Likewise, the credit authority which stresses these undergirding human virtues will have a better record of collections than the firm which ignores them.

The rapidly increasing utility of credit since the adoption of present forms is one of the most remarkable

safe business development

of our modern developments. Its growth has been paralleled by rising standards of living, by vast increase in wealth, encouragement of scientific research, social and economic progress. Wisely used credit has brought about unity of the nations of the world through the simple process of an individual satisfying his needs and desires, multiplied innumerable times.

The fact that the National Association of Credit Men has met the test of service responsibilities for nearly half a century is significant. That is not a long span as we measure civilization, but in the life of an organization, it is indicative of the soundness of its objectives, the vitality and need of its services and the increasingly recognized importance of its functions.

During this period policies and procedures have naturally been changed to conform to the needs of changing conditions. They must continue to be adapted to the movements in our dynamic civilization if credit is to measure up to its objective of constructive utilitarian service and be safeguarded against misuse. Procedures under which credit risks were evaluated before the turn of the century have to a large extent become outmoded, yet through improved mechanics, the usefulness of credit has been greatly expanded.

I congratulate you that your leaders have been alert to recognize these facts; resulting in the continuously successful record of your organization to its present important sphere in the business community. It has contributed substantially to the progress of American business and to the enjoyment of a fuller life by our people. The reason for your success is easy to understand—useful service, rendered without bias to a worthy cause.

Under our modern system of economy, an increasingly large percent of business is transacted through credit channels. Thus, when we think of the relation of credit to commercial and industrial activity, we recognize it as one of the chief instruments by which production and consumption are kept in some semblance of balance.

In retail merchandising, studies conducted by the Department of Commerce reveal a present stronger trend in installment purchases than in regular charge accounts. Installment sales increased 25% in 1936 over 1935, while regular charge sales gained 15%, and cash sales 11%. While the volume of installment transactions is increasing, it still accounts for a smaller proportion of the total volume of trade than in 1929.

Total retail sales declined from \$49,000,000,000 in 1929 to \$25,000,000,000 in 1933. This is a decline in total volume of nearly 50%, yet credit sales receded 60% in that period. In the years since 1933, however, the trend has reversed and, if continued, may cause retail credit sales to equal or even exceed, in the near future, the 1929 credit peak, which represented 34% of the total sales for that year. In 1935 credit sales were 32% of the total, while Department estimates indicate a further rise for 1936. We recognize the importance of this and expect to initiate studies accordingly.

The installment stimulation is partly explained by the policy among some retailers to eliminate or reduce the amount of the down payment; to lower carrying charges and to give longer maturities. Also, the tendency is to enlarge the classes of merchandise sold on installments, particularly of a non-durable or readily consumable nature.

The potential danger of this policy to unduly stimulate volume is a possible debt load on the consumer that might be excessive in case of unforeseen adverse economic conditions.

This condition and trend is significant when related to your credit activity and justifies careful thought on the part of credit students in the interest of all, including, of course, the consumer.

The practice of installment procedure should under all circumstances be in harmony with the virtue of the system, wherein carrying charges are imposed where they belong and not prorated to the cash and prompt pay customer. Conceivably in time, it is possible that stores will adopt and maintain a distinct two-price system and thus obviate the likelihood of unfair penalty on the cash customer.

The total sales of manufacturers amounted to \$38,000,000,000 in 1935. According to the monthly studies of manufacturers sales and collections made in cooperation with your Association, the 550 manufacturers reporting, averaged a gain of 20% in 1936 over 1935 while for the first four months of this year, a further increase of 25% is estimated over the corresponding period of 1936. The volume of credit sales of manufacturers has not appreciably changed in recent years.

Essential as statistics are for guidance in wise planning for business development, the factor which business must know about is the individual. This concept imposes the responsibility for broader study of human conduct and attitude, as scientifically as research programs in economic fields. To this end, I am gratified with encouraging evidences that modern industrial leaders are accepting their responsibility, not only as efficient producers and sell-

ers but for the promotion of social justice and those virtues which give stability to our National life.

This is not only good morals; it is good business. It is an essential factor in building sound credit. The trend to democracy in industry looks to mutual progress through peaceful and co-operative procedure, yet success in this relationship is bound up in the recognition on all sides that for every privilege, there is a counterbalancing responsibility. Credit reliability is inherent in this principle, because it is the highest expression of good citizenship.

Informed leadership should not only continue to guide industry as the instrument for making material things that the people need. In addition, it should cultivate the attitude and broaden the opportunities for solving those human problems which, if neglected, will undermine character. Wealth can be increased only as more wealth is produced and any improvement in living standards must come from those, who, through employment of workers, create purchasing power that in turn stimulates production. We should amplify our system by expanding work opportunities so that all persons who are willing and able to earn can exchange their labor for the satisfaction of their needs and proper desires.

Our mass production corporations have brought wage earners the highest standard of living in the world. These employers will be measured and safeguarded in the future in proportion to the recognition they give to their responsibility to society at large. This means humane working conditions and a fair division of earnings, resulting in a more equitable spread of purchasing power among the greatest number of people. Thus will be expressed the ideal that corporation and wage earner symbols of Americanism have the same fundamental meaning. Mutual understandings growing out of the conference method of resolving differences between workers and employers hold the promise of our progressive and peaceful national future.

As a corollary of the objective program of modern technology to lighten the muscle load on human beings, the stimulation of moral concepts is a fundamental incident. This trend is reflected in projects of the Federal Government looking to wholesome training

and occupational activities for the underprivileged youth. I refer to the Civilian Conservation Corps and the National Youth Administration. This should be followed by supplementary independent local planning to encourage the development of stronger communities by arousing a consciousness of their responsibilities for human engineering programs.

The complications of our modern life, with the interrelated human problems, should also prompt those who would promote safe business to observe the red lights of caution and penetrate new frontiers of thinking. Partic-

Robinson-Patman developments?

Read "Court decisions"
This month: page 46

ularly is this a responsibility of credit men. To this end, attention must be given to that important segment represented by small business which cannot always successfully meet larger and strongly entrenched competitors. It is also wise to sympathetically study and cooperate with young business men of energy, character and integrity, who should be encouraged and assisted in obtaining worthy credit.

Credit policies that are too conservative to serve all legitimate needs can be as harmful to individual and general progress as those which prompt an excessive flow on the basis of inflated or fictitious values. The credit man should guard against either extreme and thus become a balancing force for discouraging unnecessary restriction on the one hand and curbing speculative activities on the other.

In dealing with the human element in credit, we now have the benefit of the experience of some financial institutions which have carefully tested the safety of character loans. In most analyzed cases this basis for credit has proved to be sound and constructive as well as conducive to character-building. It emphasizes both ability and sta-

bility. The small business man and the individual should have the opportunity to borrow on terms and at rates commensurate with security and dependability and thus have their advantages equalized with larger competitors. Any attitude to the contrary will tend to thwart the progress of many deserving enterprises which are good moral risks. It would tend to encourage unscrupulous loan sharks who thrive on those in urgent need of financial assistance but are without tangible assets to offer as security.

In this connection, the practice of charging for check collection is a matter worthy of consideration. For all practical purposes, the check is currency and therefore should be so treated in the adjustment of daily settlements. If the prevailing policy of discounting checks is continued, industry and commerce may inevitably suffer and in the end the advantage to the beneficiaries will be nullified.

It is essential to business and banking progress that the stream of credit be kept flowing freely by the elimination of all possible restrictions and impediments. We should encourage an attitude on the part of all enterprises dealing with the public that service to the community is the vital ideal, of comparable importance with the objective of earning of profits.

The accelerated tempo of business procedure, under the increased service demands of the public, has enhanced the utility of communication facilities. Many important foreign and domestic business transactions, credit investigations and other commercial activities are now transacted by telephone or telegraph out of consideration of the time element. Thus, the tendency to quickened service has created the expense factor of communication toll costs. This looks to the recognition of cost advantages that accrue from the technique of mass production. The rising volume should be a consideration in the adjustment of the rate structure, to the end that large and small business shall have equal competitive advantage and even more enlarged use of this necessary business facility.

The trend toward concentration of population in congested urban centers has opened a channel of study for credit agencies, as well as for those concerned with the social and economic implications. Educational endeavors should

prompt appreciation of the beauty and stabilizing forces of nature as offered by rural environment in preference to the seeking of unsatisfying dollars gained from pursuits in congested areas where the cultural forces of country life are less influential. Social and economic influences of environment are the nourishing elements of character and through encouraging appreciation of the opportunities of rural life we can achieve more effectively objective living.

Only through raising the standards of American home life can the character and stamina of the people be strengthened; human happiness, security and safe credits be promoted. Thus, we must not only be concerned with conditions that presently affect our economic well-being, but fortify, through research, against those developments which we visualize on the horizon of tomorrow.

In cooperation with private industry, the Department of Commerce and other Federal agencies are seeking to supply information that can be utilized as a helpful tool in management and for guidance in future planning. Specific information is already available about many individual industries. If this is not as comprehensive as needed for your guidance in the control of your operations, we will be glad to cooperate in broadening the scope of research.

We realize now how much clearer our thinking and planning upon phases of depression and recovery would have been if we had possessed in 1933 definite and reliable facts concerning the activity of the consumer, the distributor, and the producer in the market place. Therefore, the accumulation of factual data must be a continuing process if we are to safeguard against future economic maladjustments. Theoretical analyses of our economic problems are desirable and essential but their effectiveness is increased many fold when closely allied with scientific statistical facts.

In an age of great change, such as we have experienced since the turn of the century, anticipation of public developments is necessary for wise social and economic guidance. Constructive work along this line, is being pursued by the National Resources Committee, but the success of its program is dependent upon the cooperation of leaders in

business and industry.

Invention, population, natural resources and economic progress are the material factors that determine the economic well-being of the nation. Since 1900, scientific achievements have had a profound influence on our social life that could not have been realized 35 years ago. For example, the development of major industries, based on the telephone, the automobile the airplane, the motion picture, rayon, and the radio, represent great accumulations of capital and give employment to millions of people. Their present and potential social implications are so vast in number and extent as to be impossible to calculate. The direct effect has been to change habits, customs and policies, while derivative influences are even more far-reaching and will continue for some time to come.

If our research had progressed to the extent that we could have foreseen this development, we would have been in

Are you asking: "How's business"?

Turn to pp. 22-24
for our monthly survey

a much better position for directing public and business policies. Yes, in hundreds of ways the Government, industries and individuals could have planned more soundly. The question is, will the second third of the 20th century see the rise of such great industries based on new inventions as was seen in the first third? We have no assurance to the contrary, and must therefore prepare for their utilization, and for readjustments to meet their vast influences. The challenge to our research ingenuity is to attempt to indicate technological trends in order that achievements may be effected in a manner that will promote progress with the minimum of disturbance to our social and economic equilibrium.

We should likewise expand our knowledge of future trends in foreign trade in order that production schedules may be adapted to the tastes and needs of the people and credit difficul-

ties may be overcome with the least possible delay. We are entering a highly competitive era in foreign trade and our ventures must not only be predicated on knowledge of markets, but of competitive policies.

In our commercial intercourse with other nations, proper credit relationships should be arrived at in the light of mutual responsibilities to society. Hence, with our attitude against war, we should give prime consideration to any dangers in that direction if we would maintain stabilized credit and stabilized business. In this connection recently enacted neutrality legislation is an important field of study for credit men. In working out proper procedure, you have an opportunity to aid the President in his efforts to promote the highest objective of the law for keeping us out of war, without unnecessary curtailment of goods consigned to foreign trade channels. This contemplates that we adequately safeguard against the transfer of our proper opportunities for trade to other countries which are not bound by similar restraints.

The predominant common attitude of the American people is the desire for peace. They cherish terms of permanent good will and cooperation with their neighbors. They also desire, with equal fervor, peaceful, stable and amicable relations between individuals and groups at home as well as with other nations. This ideal recognizes that the basic qualities of citizenship determine what these relationships shall be and the kind of world in which we live.

If government, under our democracy, is to succeed in its service to humanity, it must not only vouchsafe to the people their rights and privileges through well-regulated procedure but encourage them in the full discharge of their responsibilities as orderly and cooperative citizens. This applies also to the payment of taxes in harmony with the letter and spirit of our tax laws, as well as to obligations involving employer and employee that challenge the integrity of citizenship.

Problems arising from differences must be approached in the interest of the common good, rather than for selfish group interest. We cannot progress in segmentary fashion. It is too often the case that fundamental objectives are obscured by controversies that defeat the aims (Cont. on page 34)

Do you need an assistant?

by PAUL B. SOMMERS, President,
American Insurance Co., Newark, N. J., and
President, National Board of Fire Underwriters.

May I ask that question of every credit man, and then answer my own question? The answer is, "You do." Furthermore, the assistant is at hand, knocking at your door, prepared to assist you in the better conduct of your job, at no cost to you or your employer. How did I find this out? Through your National Association you discovered this need for an assistant, and as an officer of an insurance company I learned of your discovery.

First, why do you need an assistant? In five years' tabulation—1931 to 1935 inclusive—the credit losses in this country, incurred by commerce and industry, exclusive of banks, amounted to more than \$3,200,000,000. A substantial, probably a major part of this loss, was occasioned by lack of, or inadequate insurance carried by the debtors of credit houses.

Insurance companies were and now are prepared and adequately financed to furnish insurance indemnity which would have obviated most of the avoidable portion of this loss to credit. Insurance is ready to become your assistant in the extension of credit without fee or salary from you, and you as the credit executives are entitled to inquire into the adequacy of insurance carried by your debtors, and extend credit to them only when such debtors carry enough insurance to protect the security on which you extend credit.

Your National Association has gathered statistics to discover how many credit executives avail themselves of this assistance, and they discover, startlingly, that of the 22,500 members of the National Association of Credit Men, only 30 per cent make any inquiry as to the fire insurance carried

by one seeking credit; only 10 per cent of such executives make any inquiry concerning windstorm insurance; and only 4 per cent make inquiry concerning other forms of insurance. This latter classification "other forms of insurance" includes all kinds of liability insurance, notably for the operation of automobiles and for the ownership and occupancy of buildings.

From this same questionnaire, your National Association has learned that 83 per cent of its members are the purchasers of insurance for their own firms. It is not conceivable by me that these executives, charged with adequately insuring their own companies, have ignored the need for the forms of insurance which they ignore when loaning their firms' money. The extension of credit amounts to the loaning of money.

Let me recite an example or two of the circumstances in which insurance would have saved a loss to credit. A reputable merchant owning the building which housed his retail store, obtained a line of credit for the purchase of merchandise. His capital, his character, and his capacity as a business man (the three C's of credit) amply justified the line of credit extended. On the side of this building was a stairway leading to upper floors, and a woman tenant of a third floor apartment leaned against this railing while visiting with a neighbor. The railing gave way and precipitated her to the sidewalk below, breaking her back. The resultant judgment against the building owner put him out of business because he did not carry owners', landlords' and tenants' liability insurance. He settled with his creditors

for 5 cents on the dollar.

A manufacturing company in Kansas suffered a substantial loss by fire in its manufacturing plant. That manufacturer carried fire insurance on his physical properties; but he did not carry net earnings or use and occupancy insurance. During the period of enforced idleness and interrupted income, unavoidable expense was financed out of accumulated surplus, and after the physical properties were restored with the proceeds of property insurance, the firm struggled along for four years before it failed and made a 10 per cent settlement with its creditors. That loss to credit was the result of no net earnings insurance.

Two enterprising young men in Pittsburgh secured an advantageous lease for the operation of a commission business. They were well trained in that business; honest, energetic and capable. A bank loaned them \$14,000 for the extension of their trade facilities, and the purchase of additional equipment; but the bank made no inquiry as to insurance protection for the assets, beset by the hazards of that commission business. An automobile, operated by this commission house, injured a pedestrian, and the resultant verdict caused the failure of the business. The bank never recovered its loan because there was no automobile liability insurance.

Financial institutions generally scrutinize insurance carried by their borrowers. Banks, automobile finance companies, and companies financing the purchase of other commodities on time-payment, demand of their debtors that adequate insurance be maintained until the loan is paid. Credit men in other lines are not only equally entitled to protection of insurance in the discharge of their individual responsibilities, but in a broad economic sense they owe it to the public to train them in the ways of caution and provision out of current earnings for future liabilities.

Insurance is not a tax. It is an opportunity for the foresighted and the provident to provide, out of current earnings, a guaranty that their accumulations of wealth will be paid for if they be destroyed or damaged by the perils to which such wealth is constantly subject. Since credit is based largely upon the possession of assets, insurance is therefore, (*Cont. on p. 33*)

Fire prevention is credit protection

It is a well-established fact that fire is a destroyer of credit. After a serious fire, a large percentage of concerns resume business with credit considerably impaired while many others are driven out entirely. Fire prevention, therefore, takes an important place in the credit picture.

When management is fully cognizant of this and plans accordingly, credit is further safeguarded. In some large plants, it has been found that the setting up of a private fire department is desirable. As a matter of fact, the whole subject of fire protection and prevention might well be considered at a joint meeting of managers, employees, and the fire chief of the city. The rules decided upon should be printed and given to every worker, any infractions to bring definite penalties.

Smaller meetings of foreman and employees in each department should be held to discuss fire prevention in relation to their own particular branch of work. An inspection committee representing management and workers, and a fireman should be appointed to make frequent inspections of the plant, report all fire hazards and recommend steps for their correction. A guide for this work is available on request in the form of a self-inspection blank furnished by the National Board of Fire Underwriters.

Industry has made phenomenal progress in the past fifty years, but destructive fires at times have been a retarding influence. In the development of hundreds of products and materials new hazards took their toll. Certain it is that some industries would have suffered severe losses and been held back for years, had not the fire prevention engineers of the stock fire insurance companies cooperated to help solve the problems of safety. These engineers are ready today to

by **GEORGE W. BOOTH,**
Chief Engineer, National
Board of Fire Underwriters

serve any industry that needs such help. An appeal to the insurance agent or broker serving the business will bring forth the desired aid.

Moreover, definite sets of recommendations have been prepared and printed by the National Board of Fire Underwriters, explaining hazards and how they may be corrected or safeguarded as far as possible.

The second payment is the hardest

According to "Business Week", one of America's oldest installment houses, whose identity must be kept confidential, has been studying several thousand of its thousands of accounts. One fact discovered quickly, but appreciated slowly, was that 90% of all customers welshing on their installment agreements had never made second payments. Upshot is a revolution in credit policy—immediate vigorous action if a second payment is missed. This procedure is bringing credit losses well under the 2% mark.

However, taking steps to prevent destruction of property by fire is not a sufficient safeguard against loss because there will always be accidental outbreaks of flames, and water used in fighting fires sometimes causes equally severe damage. To be adequately protected, management should insist on an efficient municipal fire department that is trained and equipped for salvage work.

Modern fire methods are not complete without salvage work. Recognition that damage by water is just as

disastrous to the owner as injury by fire has resulted in the use of salvage covers, mops, brooms, squeegees, and other devices. There are other phases of salvage work, however, with which few fire departments concern themselves. These are more in the nature of preventive work than of actual salvage operations at fires.

The most important factor is in regard to buildings equipped with automatic sprinklers. These effectively extinguish or hold in check such fires as may occur, but often with great water damage on all floors below those in which the fire occurs. This therefore should be guarded against, through the installation of modern signaling service which will quickly notify the fire department each time a sprinkler head operates. This is known as water flow or valve alarm service. Supplementing this service in sprinklered buildings and of great value in all other buildings is the use of skids on which baled goods, paper and other heavy bulky material should be placed. These usually are made in such manner as to keep the material six inches above the floor. Where material is kept under counters, in drawers and in cabinets, these should be so made and arranged that the bottom six inches can not be used for storage.

Goods kept on tables in stores and factories are often covered each night as protection against dirt. For those articles which are very susceptible to water damage these covers might well be of waterproof material, such as a light-weight rubber blanket or specially treated duck.

Seepage through floor has always been a great contributing factor in causing water damage, not only to the building itself but also to the contents. This is true even in fireproof buildings. Correction of this condition can be

PUT lighted matches and smokes out before you throw them away. Keep matches where small children cannot reach them. Never smoke in the garage, barn, or attic, nor in bed.

REMOVE rubbish, waste papers and all unnecessary combustible materials. Provide metal ash and trash cans. Burn rubbish only in a safely covered brick or metal incinerator. Watch the fire.

EXAMINE all stoves, furnaces, and smoke pipes to make sure they are safe and well away from woodwork or other burnable materials. Have needed repairs made at once.

VALUE the advice of your fire chief who says that many fires are caused by dirty or defective chimneys. Have the chimney cleaned regularly, and have all defects repaired.

ESCAPE the danger of flammable liquid fires and explosions by keeping no gasoline in the house. Do dry cleaning with safe liquids or send the work to the cleaner. Never start fires with kerosene.

NOTIFY the electric company of electrical trouble and the gas company of gas leaks. Replace "blown" fuses with new ones—not pennies. Avoid homemade wiring jobs. Don't look for gas leaks with a match.

TEACH everyone in the family to be careful of fire, to watch stoves, fireplaces, electric irons and all other possible fire causes, and every day to remove old rags, papers and other rubbish.

FIREPROOF your home as far as possible by fire-safe roofing, fire stopping in hollow walls and partitions to stop the spread of flame, and a non-combustible basement ceiling.

INQUIRE of your fire chief, when buying a fire extinguisher, to be sure of getting the right kind. Don't hesitate to ask your firemen whenever you have questions on fire prevention.

REMEMBER always where the nearest fire alarm box is and how to send an alarm. If telephoning, be sure the address is clearly understood. Use a neighbor's phone rather than one in the burning building.

EXPLAIN to everyone in the house what to do in case of fire, how to put out fire in clothing by wrapping in a rug or blanket, what to do when grease catches fire in the kitchen.

SAVE life and property from needless destruction by fire by keeping the principles of fire prevention always in mind and never taking a chance with fire.—*National Fire Protection Association.*

brought about by waterproofing the floors and by providing scuppers.

For ordinary wooden floors waterproofing can be provided by one inch or more of a mixture of sand, pea stone and fluxed asphalt applied hot, or a ½-inch coating of sand, emulsified asphalt and pea stone can be applied cold on top of an asphalt coated waterproofing fabric laid in a heavy priming coat of asphalt. Another form of waterproofing can be provided by five plies of waterproofing membrane, mopped with asphalt, and covered with a wearing surface of wood block, matched planks or concrete. Where the base is comparatively rigid, a waterproofing, ½ to ¾ inch thick, of marble chips, magnesium oxide and magnesium chlorate, laid over a base

of expanded metal, will give good service. For light service, especially on fireproof floors, linoleum, rubber tile or asphalt tile laid over a waterproofing fabric laid in a heavy priming coat of asphalt, will be dependable.

In new fireproof construction waterproofing can be obtained by a fine cement, granolithic surfacing.

In all cases particular care must be taken not to puncture the waterproofing by nails and to carry up the waterproofing for a distance of 4 inches around all pipe or floor openings and at side walls and partitions which go through the waterproofing.

Scuppers, which are devices to permit water to flow off the floor to the outside of the building, are of two general types. One is for exterior wall

installation and consists of a cast-iron or fabricated steel box, which is placed in the wall at the floor and extends through the wall. It has a flared opening on the inside. A hinged flap on the exterior is normally closed, to stop any draft, but will open to allow the water to flow to the outside. Another type is set flush in the floors and connects to a downpipe extending through the interior of the building to a sump or drain.

The number of scuppers will depend upon the area of the room or floor. The general rule is one scupper for each 500 square feet of floor area.

Where floors are not waterproofed, better salvage work with covers and less damage will be obtained by water if shelves are kept a few inches away from walls and partitions.

Where basements are used for extensive storage, the pitching of floor to a sump, and the installation of a pump of good capacity will be very beneficial. In this connection every fire department should have a record of the various contractors and others who have ditch pumps or other equipment which can be used to pump out basements.

There are cases on record of fire departments responding to emergency calls involving the rescue of persons or the control of fire and being unable to cope with the situations because of lack of training. The result was a greater destruction of life and property than a well-trained department would have permitted.

When it comes to industry, the possibilities for loss increase by leaps and bounds, because there are so many different kinds of fires, with varied methods of attack. Water, for instance, will not do for oil or electrical fires; they must be smothered. Firemen must know how to control the various types of fires that may occur in the factories of their city.

They must have the right equipment and know how to use it. In order to become proficient, they should inspect the buildings and study the problems involved. Thus they will also learn the best way to get at a fire in any of the buildings under their jurisdiction.

Management should make sure that the members of their municipal fire department are well-informed, properly trained and equipped. With fire losses curtailed, credit—and the future

itself—will be safeguarded.

Every structure contains potential hazards of fire which can be minimized by careful attention to all details of construction, housekeeping and occupancy. Credit men can safeguard their interests by reducing the danger of fire on the premises of their customers as well as in their own. Self-inspection of all premises, using as a guide the self-inspection blanks of the National Board of Fire Underwriters, will enable control of dangerous fire conditions. Copies of these blanks may be obtained without charge from the National Board at 85 John St., New York, N. Y., 222 West Adams St., Chicago, Ill., and Merchants Exchange Bldg., San Francisco, Cal.

The suggested form of Self-Inspection Blank for Industrial Plants has been prepared by the National Board as a daily report for plant owners to have printed in quantity for their individual use. General rules are given to be observed by the foreman or other trusted employee selected to make the reports. This form contains 83 questions, some of which are to be answered by "Yes" or "No," but others must be answered more fully. When defects are found their cause must be given as well as the steps that are being taken to correct them.

This industrial inspection blank is quite comprehensive, having to do with cleanliness and order, maintenance, heating, lighting and electrical equipment, fire doors, shutters and escapes, fire apparatus, fire pumps gravity supply from tanks and reservoirs, city water connection, sprinkler supply valves, alarm valves and automatic sprinklers.

The first section deals with general conditions, involving accumulation of waste combustible materials or greasy rags and waste which might result in spontaneous ignition.

Another is devoted to maintenance and is a check-up on the watchman, condition of machinery, belts and shafting, bearings, window panes partitions, flooring, oils and any obstructions which might interfere with entering any part of the building. Lighting and electrical equipment is next and concerns open flames, lights, broken fixtures or loosened wires, fuses, panel boards, motors and their bearings, and violations of rules for storing or handling oils, gasoline or other inflammable



A "Self-Inspection Blank" might have been the "ounce of prevention" in this fire.

liquids. Screens or dampers in air ducts must be examined and violations of rules on smoking noted.

The protection features of the inspection are designed to locate obstructions, disorders, etc. in connection with fire doors, traps, shutters and escapes. Next an inspection of all fire apparatus is required and this checks the water casks, fire pails, sand pails, hose, nozzles, spanners, chemical extinguishers (which should be re-charged at least once a year), ladders, indicator valves, hydrants and pumps.

The gravity supply from tanks and reservoirs is next, after which refer-

ence is made to city water connection, sprinkler supply valves, dry valves and alarm valves which are next in the inspection. A number of questions concerning the automatic sprinklers are designed to give a complete check-up of sprinkler heads, obstructions, defects, etc.

Another self-inspection blank has been designed for merchants establishments and contains many of the same questions as the industrial blank, with all irrelevant features omitted and others added. As mentioned above, copies of both of these forms are available from the National Board.

Budgeting for the

by J. W. McEACHREN, Resident Partner, Ernst & Ernst, Detroit, Mich.

C As an accountant I believe I have some appreciation of the problems encountered by credit managers. I was once informed by a veteran business man that his customers could be divided into two major classes — those who would not let him eat and those who would not let him sleep.

A great deal of thought has been given by our enterprising legislators to fair price laws, but the elimination of credit losses appears to be one of the few things which government has not attempted to accomplish by legislation. As I see it, you gentlemen have the delicate job of being sufficiently liberal in approving credit to avoid arousing a terrific outcry in the sales department and yet sufficiently conservative to avoid a heavy loss on bad accounts.

My subject is budgeting for the small business. I think we might well inquire — what is a small business and what is a budget? I believe there is a real question whether it is practicable to apply budgeting on any elaborate basis to small businesses.

A review of the census figures for 1930 indicates that the great majority of businesses are small. For example, out of 137,251 manufacturers, 115,904 employed less than 50 people each and 97,328 employed less than 20 people each.

Out of 79,032 wholesalers in business in 1930, 74,289 did an annual business of less than \$500,000.00 each and 65,953 had a yearly volume of less than \$200,000.00 each. Approximately 80% of all wholesalers are in this class and any wholesaler doing more than \$200,000.00 appears to be relatively a large operator.

1,526,108 retailers were in business in 1930 and 1,440,577 of this total had an annual sales volume of under \$100,000.00 each. In other words, over 90% of all retailers were in this class.

It is dangerous to generalize on the basis of averages. An automobile manufacturer employing 10,000 is a rela-

tively small car producer. A manufacturer employing 20 men in another industry might be a large business in comparison with the average of the industry. However, the figures may be used as a means of visualizing a small business in contrast with a large business.

Our present national budget system dates from 1921 and about that time, probably due to the depression in that year, budgets came into considerable prominence in commercial enterprises.

It appears that we must consider budgeting for the small business on a very elemental basis. We should avoid numerous and elaborate forms. As a start we might give some thought to a newspaper report of one of the simplest forms of budgeting. A key maker operating a "two by four" shop in Philadelphia has figured out that his fixed expenses including rent, light, etc., are \$2.50 per day and determined that he has to make and sell a certain number of keys daily to cover this expense before he begins to show a profit.

He is far in advance of many larger businesses as he has budgeted to the extent that he knows how much he must do to earn a profit. This is an item of information which is valuable to any concern and the determination of the "break even" point in sales volume is an important part of budget forecasting.

Budgeting may be divided into two steps—budget forecasting and control budgets. Budget forecasts are carefully considered estimates usually for the purpose of visualizing future operating results and financial position. They may be prepared as a matter of routine in a going concern to show the probable results for the ensuing year, reflecting expected changes in selling prices and costs, volume of business, anticipated expenditures for new equipment and so forth.

The forecast is a formal and considered statement on paper of the plans

and expectations which exist informally in the minds of management. Foresighted management is aided by crystalizing these plans and expectations and getting them together on paper. Too frequently management is not foresighted and the indicated results shown by a budget forecast often astonish them. A budget forecast does not necessarily consist of many and intricate statements but it must be thoroughly done to be of any value.

The control budget which is used chiefly in the larger businesses, is broken down into relatively short periods—in some cases even daily. It establishes definite limits on incurring commitments for purchases and expenses and sets up the necessary procedure to ensure that the limits established are not exceeded unless approved by an authorized executive. Obviously control budgets are used chiefly in businesses where there is a substantial delegation of authority by the chief executive to subordinate executives.

An example of a control budget is an advertising budget for a retail concern. It is usually prepared a month in advance and shows specifically what media are to be used, the amount of space and the cost. The advertising manager must not commit himself for any space not specifically provided for in this budget unless he obtains the approval of a designated executive.

In considering budgeting for small businesses, we are concerned primarily with budget forecasts. They are usually prepared for a year and preferably should be broken down by months to disclose the fluctuation in profit from month to month and the financial position at the end of each month. A monthly analysis of the forecast is also necessary to permit comparison of actual results with the forecast.

I assume your immediate interest in budgeting is largely in connection with a rather small retail concern which is applying for a line of credit or in which

small business firm

you are already possibly an involuntary investor. The concern is probably losing money. In a situation of this kind I would first review the expenses and set down in a schedule those which are fixed in amount and do not fluctuate directly with the volume of business done. Such expenses include rent, heat, light, a large part of the payroll, taxes and other items.

Most expenses in a small business tend to be less flexible than in large businesses, but there are probably some items which fluctuate in proportion to the volume of business done. Wrapping and packing supplies is an example and this expense can be budgeted as a percentage of sales.

We can estimate the percentage of gross profit taking into consideration past results, the trend of prices and rates of gross profit realized by similar businesses. If the inventory appears over-valued it is important to adjust it to a fair value and to show in the budget what may be considered as a normal gross profit.

We now need a budget of sales.

Frequently the head of a business will say that it is impossible to budget his operations as he does not know what his sales will be. Nevertheless he continues to rent his store, he retains his organization and he buys merchandise. The real situation is that he has perhaps unconsciously had in mind a sales volume which he expects to reach but he has never taken the trouble to set his plans down on paper. He has not put down the amounts which he expects to spend for the various items of expenses and matched these against his anticipated volume. As soon as he does this, he is preparing a budget forecast.

His sales volume does not fluctuate directly with the amounts he spends for advertising and other expenses. Nor do his sales increase 10% just because he carries an inventory 10% higher than last year. All of these factors have some influence on sales but general business conditions and the competitive situation in his city have perhaps even a greater effect on volume. Our estimate of sales must take all of



these factors into consideration and we should be conservative.

Having budgeted the amount of sales, the percentage of gross profit, the percentage to sales of the variable expenses and the amount of fixed expenses, it is a relatively simple computation to arrive at the forecasted profit or loss. If a loss is indicated, we should again review the expenses to determine what can be done to reduce them.

If additional economies are not apparent and the forecasted sales volume appears as high as we can conservatively anticipate in comparison with previous periods, it will be necessary to consider a drastic adjustment of expenses including probably a reduction of rent, perhaps giving up some space and elimination of personnel. We should be able with such adjustments to set up a forecast which will indicate sufficient profit to warrant continuing the business.

However, it is one thing to make a profit and another matter to realize it in cash, and we now must give consideration to the working capital and cash position of the company.

If this concern sells only for cash, our problem is simplified and our attention will be directed chiefly to controlling the inventory, expenditures for

improvements and proprietor's, partners' or stockholders' withdrawals.

It is not a particularly difficult matter to budget inventories and purchases in relation to the anticipated volume. If we have some information available on past performance and have some idea of a reasonable rate of inventory turnover for a business of this type, we can establish a budget of monthly inventories and purchases which will represent a reasonable objective.

In budgeting inventories it is very important to avoid shutting off the buying of new merchandise. If our inventories are too large, we must reduce them by emphasis on selling the excess quantities and old items.

A purchase allotment is established for each month broken down by departments if practicable and necessary. As orders are placed, the amounts are deducted from the allotments of the months in which delivery is expected. The purchase budget controls orders placed. You can not control inventories by checking against the purchase budget after the goods are in.

Using our monthly budget of purchases, we can estimate when we must pay for them and what the outstanding accounts payable will be at the end of each month. In order to get a forecast of all cash disbursements it will be necessary to include disbursements for payroll and expense items.

If we sell entirely for cash our forecast of monthly sales will be our forecast of monthly cash receipts and we can then determine the probable increase or decrease in our cash balances each month. Presumably the company owes some old past due accounts to wholesalers and manufacturers and we can now determine how much cash will be available to reduce these accounts.

Having a forecast of operating results and a cash forecast, we can prepare balance sheets to show the financial position of the company if the forecasted results are realized. From a technical accounting standpoint these statements must, of course, be reconciled.

If the company also sells on credit it will be necessary to split the sales

forecast into cash sales and credit sales and to budget the collections for each month. I imagine many of you have had experience in budgeting collections. It is quite likely that the accounts receivable are not in good shape and a list of the slow accounts should be prepared and appropriate action taken. It is desirable to separate the total of such accounts in our forecasted balance sheet and to budget collections on them separately as the realization of collections on such accounts is very important in getting the company squared away.

No elaborate printed forms are required for preparing this forecast but it must be prepared in sufficient detail and, as an accountant would say, "it must tie up". The difference between the actual net worth of the company at the beginning of the budgeted period and the budgeted net worth at the end of the period must equal the forecasted profit, assuming that no profits are distributed and that there are no withdrawals of capital.

The forecast should be "broken down" by months to permit comparison with actual results.

The forecast should be thoroughly reviewed with the management of the company and their commitment obtained that it represents a reasonable objective and that they intend to abide by the financial policies called for in the budget. A continuing check of actual results against the forecast is essential and variations from the budget will require investigation.

I would like to emphasize the point that the value of a budget forecast is not destroyed if the actual results do not agree closely. They may be much better or some may be worse and every variation between the budget and actual figures tells a story. If actual expenses exceed the budget without a relative gain in sales, drastic action may be necessary to prevent such a recurrence. The failure of sales to reach the budget figure probably indicates a serious weakness in merchandising ability, assuming the forecast was conservatively established.

However, I do not mean to intimate that budgets can be prepared carelessly and still be useful. It is a gratifying experience to budget a considerable improvement in operating results or financial condition and to reach or exceed the objective. This demonstrates capable management.

The preparation of a budget forecast is only one of the first necessary steps in rejuvenating a losing business. Every detail of the operations must be challenged and an effort made to bring merchandising results, expense control and financial control up to standard.

If the percentage of gross profit realized in the past appears too low, it usually indicates a bad inventory situation. One of the most serious drags on a small retail business, and frequently on the large one as well, is the tendency to accumulate old merchandise. They may hang on to it for years in the hope that a buyer will appear eventually. The good merchandiser, on the other hand, realizes that he must get a reasonable turnover and must have a constant flow of new merchandise coming into his stock. The higher the proportion of fresh, new items in his stock, the higher his rate of turnover will be and the higher his percentage of gross profit. His dollar sales volume will also be stimulated.

Another reason for a low percentage of gross profit may be the lack of an adequate markup. Some retailers are probably still figuring markup as a percentage of cost rather than a percentage of the selling price. If they buy an article at 50c and sell it for 75c, that is a markup of $33\frac{1}{3}\%$ and not 50%.

However, a poor showing in the percentage of gross profit is much more frequently due to topheavy inventories and excessive markdowns. Probably many of you are familiar with the retail inventory method which is used by practically all of the larger department stores and most of the chain stores. It includes additional features besides the computation of the average markup on purchases just mentioned.

A record is kept of markdowns and a running control maintained on inventory on hand in terms of the aggregate selling value. This is very simple and practical and enables the retail merchant to know the dollar value of his stock at all times and to analyze the reasons for the difference between the final realized gross profit and the initial markup. This method lends itself particularly to budgeting. The method also has a limited application in some departments of wholesale businesses and can be quite a timesaver.

In addition to a control on slow-selling items, it is important to have a simple means of determining the fast-sell-

ing items and keeping an adequate stock of wanted merchandise. It is a much more difficult job in some respects to merchandise a small retail store than a larger store. Assortments must be smaller as a large volume of customer traffic is not available. On the other hand, the small retailer can keep in closer touch with his stock and his trade.

He should keep a simple record of quantities purchased of all staple items which he will ordinarily reorder and should make frequent stock checks of the quantities on hand. He will then have some dependable information on the quantities sold, the rate of turnover and what quantities he should have in stock. In other words, he can budget his inventory in relation to his sales. Such a record requires only a simple columnar blank book and no additional expense is required to keep it up.

I would like to point out here that an inventory carried on a balance sheet at \$50,000 which is turning only once a year is probably worth less from a creditor's viewpoint than an inventory stated at \$25,000 and turning twice a year. In the first place a slow turning inventory almost invariably indicates a poorly managed business. Also, from the creditor's standpoint, an item in the inventory which will not sell for two or three years is certainly not a current asset. The only part of the inventory which does the creditor any good is that which will be transformed into cash or good accounts receivable within a comparatively short period.

In analyzing financial statements and judging the financial condition of the customer, I question whether we place sufficient emphasis on the rate of inventory turnover. I am now doing some work for two companies in different cities but in the same line of business. Company A is making a good profit, it discounts its bills and its credit standing is excellent. Company B is about breaking even but is slow in paying its bills. However, B has a higher ratio of current assets to current liabilities computed in the orthodox way than Company A.

On further consideration we find that B's accounts receivable show a much smaller collection ratio than those of Company A and its inventory turns over much more slowly. If we were to adjust the balance sheet values of

Cash budget policies of 45 companies shown in report

the current assets of the two companies to reflect the relative rates of turnover, we would arrive at a lower current ratio for Company B rather than a higher.

I believe that the determination of the ratio of current assets to current liabilities with complete disregard of the velocity of turnover of the current assets gives us an entirely inadequate check on the financial condition of a company.

On retailing particularly and wholesaling to a lesser extent, statistics are available to enable us to check each item of expense and determine with fair accuracy whether or not it is out of line. If rent is too high, it may be necessary to attempt to get a reduction. During the 1930-1933 period we used budget forecasts very extensively in convincing landlords of retail properties that a concession in rent was necessary to enable the tenant to stay in business. Most retail leases prior to this period were on a flat rate basis. The leases almost invariably were adjusted to a minimum rent which was reasonable in relation to the store's volume and a percentage on sales over a certain figure provides additional rent to the landlord as sales increase.

Excessive withdrawals for salaries of management is a frequent cause of impairment of the capital of small businesses. Definite limits on this item should be provided in the forecast. Total payroll expenses in a typical retail business represent about 85% of all controllable expenses and therefore obviously require the greatest attention.

It may be necessary to revise the forecast from time to time as unforeseen occurrences of major importance arise. In such cases the forecast must be revised if it is to be of any use. There is no value in working to a budget that is not a reasonable goal.

Budgets can also be of great value in businesses which are already profitable. Business factors are constantly changing. The year 1937 is witnessing a race between rising costs and rising volume and gross profit. It is too early in the year to pick the winner of the race.

I believe we still have a big job ahead of us to educate the small retailer on the necessity of a simple but adequate accounting system. Your association can do a great deal to promote this work and I believe will benefit from

Recent developments have tended to focus attention on the management of cash resources in business.

Many executives, faced with the problem of paying out a higher portion of profits either in dividends, taxes, or both, have gained a new appreciation of the value of the cash budget.

The special timeliness of this subject led the Policyholders Service Bureau of the Metropolitan Life Insurance Company to conduct a survey of the practices followed by 45 companies in budgeting their cash requirements. The results of the investigation have been published in a report entitled, *The Cash Budget*.

The cash budget is utilized primarily as a guide to major financial policies and as a basis for carrying out the financial program. The Bureau's report cites specific methods of utilizing the cash budget as reported by the 45 concerns contributing to the survey. Twenty industries are represented. The report also discusses the scope of budget activities and outlines the sources used in the preparation of cash forecasts.

The majority of contributing companies provide for both a short-term and a long-term forecast of their financial positions. However, in most cases these are combined in the one cash budget program. A cash budget period of one year or more is used by about

half of the concerns included in the survey, the other half having shorter periods.

Three general methods of forecasting cash are used by the contributing companies. These have been designated as: (1) the receipts and disbursements method; (2) the adjusted income method; and (3) the working capital differentials method.

The survey disclosed that there is not necessarily any difference in the forecasting procedure by large and small companies. However, the size of the concern often affects the degree of elaboration considered necessary in the cash budget. Examples of procedure are given for both large and small companies, illustrating each of the three forecasting methods mentioned above.

One section of the report is concerned with the question of responsibility for forecasts; another with the use of the daily cash report. The appendix presents an excerpt from the budget manual of one company covering standard instructions for the preparation of cash forecasts. The report is freely illustrated with budget forms and records in current use. Readers interested in this subject may obtain copies of *The Cash Budget* from the Policyholders Service Bureau, Metropolitan Life Insurance Company, 1 Madison Avenue, New York.

Other publications by the same company, which may be of interest because they are along similar lines, are the following:

Budgeting Manufacturing Operations
A Manual of Budgeting Procedure
The Manufacturing Expense Budget
Sales Forecasting for Budget Purposes

Copies of these are available as long as the limited supply lasts, the company notifies us.

it to the extent that progress is made. The budget on a very simple basis has a place in small retailing units and I hope I have given you some ideas as to how simple and yet beneficial a budget can be. Credit men and public accountants obviously have a great deal in common and I think there can be a closer association for the general good of business.

A first step

by PAUL FIELDEN,
President,
National Association
of Credit Men

In view of the increasing importance of credit in our commercial life and the growing responsibilities of our National Association of Credit Men, we, the members of the Association, sponsored the idea of the Development Program.

The first funds were raised about a year ago. Although some of our Associations have found it desirable to postpone their solicitation until this season, the results in general have been so satisfactory that the National Committee for the Development Program has deemed it wise to begin application of funds already raised to the desired activities.

These are tangible results. I shall, however, not take space to list the many things for which the National Committee has considered and approved the use of these funds. On this occasion I do wish, as President of the National Association of Credit Men, to add my official endorsement of the Development Program idea to the personal support I pledged to the Development Program when it was inaugurated a year ago.

Particularly do I take pleasure in announcing the appointment of Mr. Carl Henrik Henrikson, who has been Assistant Dean of the School of Business of the University of Chicago until he joined our National staff as Director of Education for the National Association of Credit Men.

This is a first step. It is based on our conviction that real business advancement is impossible without sound credit practices, based on thorough understanding. Credit education is the beginning of that understanding. Our educational activities have accomplished much toward that end. They can accomplish infinitely more.

The objective of this whole educational program will be constant appreciation of the uses of sound credit and, as a result, a more firm foundation for business practices.

In his new position, Mr. Henrikson will devote his time to promotion activities in connection with the National Institute of Credit and its Chapters which are affiliated with local Associations of Credit Men. In addition to this, he will prepare material for the use of the classes to be carried on by the local Chapters.

Mr. Henrikson's under-graduate and post-graduate work were taken at the University of Chicago. Prior to his affiliation with the faculty of the University of Chicago in 1931, he engaged in various business activities. He recently assisted in the survey of bank credit conditions under the supervision of Dr. Jacob Viner, studying and reporting on the loaning policies of banks in some of the larger cities. This work was done for the Treasury Department of the United States.

During the past few years he has also carried on research into the practices of stock swindlers and their methods. In addition to his teaching and administrative work at the University of Chicago proper, he has had charge of the contact work in the financial district of Chicago for the University's night school classes.

I take pleasure in presenting Mr. Henrikson to the members of the National Association of Credit Men.



Mr. Fielden



Mr. Henrikson

HARVEY W. HUEGY,
Asst. Professor of Business
Organization and Opera-
tion, University of Illinois,
develops the principles of

Installment terms

The National Association of Credit Men at its convention adopted a resolution upon the subject of installment credit terms which said in part:

"We recognize a distinct danger of the destruction of sound credit principles, that would result from excessively long terms of payment, insufficient down payments or other forms of injudicious and loose extension of credit. Therefore, this Convention strongly urges upon our entire membership that utmost vigilance be exercised; that serious consideration be given to an examination and study of present installment sales terms and methods to the end that sound credit principles and control may be maintained in installment selling and that abuses may be prevented or eliminated."

It is not our intention to quarrel with this resolution, either in principle or in detail. It is, however, our intention to attempt to examine this question of installment credit terms with the hope that from this examination some theory of installment credit terms may be evolved. So far as is known to the writer this theory has not as yet been completely formulated. It is true that certain basic safety principles have been formulated and certain standard terms and conditions fixed in accordance with these safety principles. They, however, refer chiefly to installment sales of "hard" merchandise and so are not broad enough in their application to satisfy all requirements.

These basic safety principles of installment credit are rather simple and may be briefly stated as:

1. The down payment must be adequate to establish a feeling of ownership. The buyer must feel that he has, by the down payment established an equity in the property and is not merely renting it. Therefore, the down pay-

ment must be sufficient to establish an equity.

2. The payments must be contracted for and paid at such a rate that the equity is constantly maintained. Thus at no time during the life of the contract is there any inducement for the buyer to discontinue payments because to do so would result in the sacrifice of the equity which was established by the down payment and is maintained by the regular payments.

3. The payments must be completed before the buyer loses interest in the property. This forces him to finish payment upon the property while it still has the pristine blush of newness and while his desire for the property is still strong.

While this formulation of basic safety principles is perfectly sound when applied to sales of "hard" merchandise upon the installment plan it ceases to be of use when "soft" merchandise is sold upon this plan. This breakdown of the basic principles follows because they are principles for the extension of credit to goods but not to people. In other words they cover the extension of credit on the basis of goods but not on the basis of personal characteristics. The full formulation of a theory of installment credit terms must then cover the cases of credit accepted on the basis of the credit of the debtor as well as credit accepted on the basis of the debtor's property. We must be careful to distinguish between the credit which is accepted upon the basis of the debtor and that credit which is accepted upon the basis of his property. This we shall attempt to do.

With all secured credits the credit is supported by the credit qualities of the person and by the credit qualities of the security. The person supplies the personal qualities of willingness or desire to pay, and ability or capacity to

pay. The security supplies the impersonal qualities of legal rights to certain economic values. There is often a confusion between the credit which emanates from the person and the credit which emanates from the goods or other security which is also given.

Historically the installment method of handling credit transactions has been used almost entirely when secured loans were being made. The goods were generally durable goods. Thus the acceptance of credit was based both on the personal credit of the borrower and on the credit of the goods which were given as security.

Thus homes were bought on the installment plan and the loan was secured by a real estate mortgage. Automobiles were bought on the installment plan and the loan secured by a lien on the automobiles. Refrigerator, household furniture, electrical appliances and similar goods were handled in the same fashion. The terms to apply to these transactions were worked out with the security of the contract supplied by the values of the pledged goods as a major factor in the transaction.

This is all well and good until the system is extended to non-durable or ephemeral goods. Then the installment credit becomes personal credit. An intermediate stage is reached when the terms are made so liberal that the security of the goods is not entirely adequate to guarantee payment. It is at this stage in the process that the necessity for a sound and adequate theory of installment credit becomes imperative.

The supports of the secured credit are too frequently not clearly recognized as being a dual personality. The transaction is looked at as a whole and the weakness from the withdrawal of one of the supports is not recognized unless the true nature of the transac-

tion is fully appreciated.

As a whole the credit must guarantee payment with sufficient certainty to be acceptable and with the possibility of loss within the limits set by the credit policy. This possibility of loss may be reduced to the desired limits by the addition of either security or personal credit. When security is adequate the personal credit requirements may be ignored. For example, a loan made against the security of government bonds pledged as collateral requires neither desire or ability to repay upon the part of the debtor. If the collateral is valued at an amount sufficiently in excess of the loan to cover the costs and trouble incident to taking title to the security and converting it into cash the loan is safe regardless of personal qualities of the debtor.¹

In the case of a real estate loan additional collateral or stronger personal qualities are required because of the possibility of depreciation, market changes, and trouble incident to foreclosure. In the case of an automobile loan additional personal qualities are required because of the mobility of the property with consequent risk of conversion and its greater exposure to deterioration and loss of value as a consequence of misuse. As the terms of sale are made more liberal, that is, as the down payment is decreased and the time for repayment extended, the credit to be sound must be supported by a larger proportion of personal credit goodness to substitute for the reduced proportion of security furnished by the goods.

The pawnbroker clearly understands that he is loaning upon goods or collateral and not upon personal qualities. The personal loan companies as clearly understand that they are loaning upon a large admixture of personal credit and a very small admixture of collateral. The creditor doing business upon open account terms also clearly sees that he is accepting credit upon the basis of personal qualities. The banker

¹ At times the value of the collateral may be sufficient but it becomes unsatisfactory because of difficulties in marketing it so as to realize upon its value. Mortgages on railroad right of way, bridges, rolling stock, plant or equipment are of this type. Here, too frequently, reliance upon collateral is not sufficient protection for the loan and the cautious creditor should carefully examine the personal qualities of the debtor in order to make the loan with safety.

may, and does, loan upon either, and all too frequently does not understand the nature of the proportions necessary to buttress the credit. Too frequently he erroneously relies upon the credit of the collateral in excess of the credit which may properly be attributable to the collateral.

What then is the relation between these facts and the theory of installment credit terms?

Simply this—The terms should be such that there is sufficient personal credit responsibility plus the credit of the property to make the credit safe. Long terms, no down payment, credit upon the security of non-durable or ephemeral goods are not an evil in themselves. They are an evil only because the creditors accept credit on these terms from individuals who do not have the personal credit qualities necessary and the credit of the goods is absent from these transactions.

Men over 40 preferred

Men over 40 are likely to turn out more production, likely to be more conscientious about phases of their work hard to check up, and more likely to be open-minded toward criticism, is the belief of members of the New York Sales Executives Club.

This is a common fallacy. It has been amply demonstrated in the real estate field. There is an illusion about the nature of the security furnished by the goods. Credit is accepted upon the prospects of the value of the goods which they lack and insufficient attention is given to the personal qualities. This is particularly disastrous in the case of real estate credit because of the long time over which the loans run and the consequent increased possibilities for depreciation, obsolescence and other changes in value.

The terms for making loans safe which take as a standard a loan not in excess of 50% of the sound appraised value are in themselves no magic formula. They merely indicate that under these terms the collateral is reasonably certain to be adequate and the personal factors may then be entirely ignored. These loans are made entirely upon the pledge of the security. The

business is truly a pawnbrokerage business, not a credit business. It is a deferred sale or an option on property. Real estate loans equal to 80% or 90% or even 100% of value could be made with equal safety if it were fully recognized that in these cases a larger proportion of personal credit is necessary to replace the lacking credit of the collateral.

In the automobile field the old rules of safety called for down payments of at least one-third on new cars, forty percent on used cars, and not over twelve months to liquidate the balance. These terms made the transaction one in which the collateral furnished the major support for the credit and the personal qualities were relegated to second place. About all you had to be sure of was that the purchaser would not "skip" with the car and was reasonably certain to be located when and if default occurred. Some slight attention might be paid to the possibility of excessive deterioration because of misuse or recklessness.

In the case of used cars, of course, value of the property was more difficult to determine so the personal qualities had to be examined with greater care. Terms in the sale of automobiles of one-fourth down and twenty-four months to pay are not in themselves objectionable provided the creditors are sufficiently careful to insist now upon a greater proportion of credit factors to replace the withdrawn credit of the security.²

Further support to the credit supplied by the security is furnished by the prevalent tendency of the owner of property to attach to his property a greater psychic value than its objective market value. Thus the owner values his property subjectively at a higher rate than does the market. It may have a certain sentimental value to him. Therefore he will continue to struggle to keep the property even though the amount of the debt is greater than its market value. That is why it is better to refinance a piece of real estate and permit the old owner to pay it out rather than to foreclose. Especially

² That the automobile finance companies have in recent years succeeded in operating upon more liberal terms without the corresponding increase in losses is evidence that they have succeeded, so far, in substituting adequate personal credit for the withdrawn security of the goods. Although the facts on this point are very interesting space does not permit of their discussion at present.

when the loan comes close to the market value and particularly the market value at forced sale.

The personal loan companies making loans upon the security of household furniture rely very heavily upon this characteristic. To take the furniture is the last thing they desire. Even a very modest loan upon household furniture is more than it will bring at forced sale. The owner, however, is still thinking of what he paid for it and valuing it accordingly rather than through the cold objective eye of the second-hand dealer. The sale of a fur coat or even a suit of clothes upon the installment plan is often safe, not because the value of the security remains adequate throughout the life of the loan or because of adequate personal credit qualities, but because the value placed upon the security by the buyer is greater than the balance still to pay.

This tendency on the part of buyers to value the goods subjectively at a greater rate than the objective market value helps the creditor to collect even though he has been overly optimistic relative to the value of the security. When to this is added personal qualities of integrity of character sufficient to supply the desire and will to pay and sufficient capacity and capital to supply the ability to pay losses will not occur except in a small number of cases.

Just what proportion of these qualities will the creditor seek? He will seek those which permit handling the business without exposure to undue losses; losses in excess of the proportion determined as normal and acceptable to the policy of the house.

Is this compatible with the tendency to loosen terms in order to stimulate sales? Yes, but with reservations. Any lowering of terms, either reduction of down payment or lengthening of time for repayment (which incidentally is forceful not because the terms are longer but because the amount of the regular payment is smaller) brings into the market a lower and lower class of buyer. Not lower in the moral sense, but lower in the economic sense. Buyers of smaller incomes and less capital. Buyers with less capacity to pay, not necessarily with less desire to pay.

The mistake is to extend these terms blindly relying upon experience secured when the security of goods was making the contracts acceptable. When this lowering of the economic position

of the buyer takes place the investigation must be carried on more carefully and completely. The standard of credit acceptability must be raised to the point where it is almost equal to that demanded on open account credits. The standard must be especially high relative to the willingness and desire to pay, and the ability to pay must be judged relative to the payments being contracted. If this policy is followed no danger need be incurred because of excessive terms and some benefits may result.

If all budget or installment account buyers were investigated as carefully

New England installment

Credit executives, who have been concerned with the reported further increase in installment sales, expressed amazement over the reports issued by the Federal Reserve Bank of Boston in August, which showed that installment sales of department stores in that region were actually falling below the 1936 level.

The figures were so amazing that credit men hesitated to venture explanations for the phenomenon, the "New York Journal of Commerce" says. In fact, not a few were inclined to believe that the figures were erroneous or represented some change in accounting practices of New England stores.

On the other hand, the fact that the declining trend of installment sales had been evident in the reports for four previous months argued against the conclusion that the figures were incorrect.

and held to the standards applied to open account customers the losses on these accounts would be less than on open accounts. They are less in those instances where the credit of the property in sufficient amount is added to the personal credit of the debtor. For example, installment sales of automobiles on terms of one-third down and twelve months to pay. They are less because the small regular payments coincide closely with the ability of the buyer to pay and the frequency of payment develops desirable habits.

It is only when terms are extended unduly without the addition of support

from the personal factors that losses become excessive. This is the danger in the extension of liberal terms. Not whether refrigerators are to be sold on 24-month terms or 12-month terms or 36-month terms; but the sale of refrigerators on 36-month terms to buyers who would not be acceptable as unsecured risks on their own personal merits. Naturally, when the value of the property ceases to protect the credit, there are defaults and losses. There is no personal integrity to substitute for the security.

True when the requirements of this personal integrity in such large proportions is made a requisite of credit acceptance the increase of sales is not so readily forthcoming; but neither are the credit losses so disastrous and heavy.

The "destruction of sound credit principles" is the ignoring of the requirements for personal qualities in the acceptance of unsecured credit and the full recognition that the mere requirement that repayment be made by installments does not suffice to convert an unsecured credit into a secured one. This destruction of sound credit principles is often evidenced overtly by "excessively long terms of payment, insufficient down payments or other forms of injudicious and loose extension of credit." Not that these facts in themselves are destructive, but that these acts without the addition of sufficient personal credit qualities are destructive.

The remedy "that utmost vigilance be exercised" is sound. Also "that serious consideration be given to an examination and study of present installment sales terms and methods to the end that sound credit principles and control may be maintained in installment selling and that abuses may be prevented or eliminated." This also is a proper approach to the problem. The approach, however, is weak in that it lays far too much emphasis on terms of sale and inadequate emphasis upon the old fashioned but still essential elements of sound credit—*Careful investigation and sound appraisal of the basic personal qualities essential to proper credit approval, desire to pay and ability to pay.*

This sounder view of the question would be supplied were there fuller understanding of the true theory of installment credit terms.

The business thermometer:

Manufacturers and wholesalers sales improved but their collections slowed up in August, 1937

Wholesalers

WThe dollar volume of wholesale trade increased 6 percent during August as compared with August, 1936, while collections on accounts receivable were made at the same rate during both months, according to reports from wholesalers cooperating in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce, Department of Commerce.

Without adjustment for seasonal influences, August, 1937, sales registered an increase of almost 5 percent from July of this year.

All but four of the trade groups shown in this report recorded sales increases over last August with durable and semi-durable goods continuing to show the most favorable improvement and consumption goods the least favorable. The increases ranged from 35.5 percent for machinery, equipment and supplies to about 1 percent for dry goods. Clothing (except shoes), leather and shoe findings and farm products (consumer goods) showed moderate declines while shoes and other footwear registered a loss of almost 15 percent.

Results presented separately by certain geographical regions indicate that sales in August as compared with August a year ago increased in several sections of the country for the wholesale trade groups shown. Increases in excess of the average for certain trades were shown in a number of regions, particularly in the East North Central.

The rate of collections on accounts receivable were at the same level as during last August according to reports from 756 wholesalers. There was a very slight drop in the collection rate

between July and August of this year.

Eight of the 19 wholesale groups for which collection rates are shown had a higher average collection percentage for August, 1937, than for August, 1936. The greatest relative increase in collections from a year ago was registered by wholesalers of meats and meat products.

The highest collection percentage for August, 1937, was shown by the meats and meat products group, the median collection figure being 157.0 percent for that month. This percentage indicates that customers of these firms took about twenty days on the average during August to pay for their purchases.

In reflecting the average experience of the reporting establishments the median percentage has been selected as the most suitable average. This method gives equal weight to all firms regardless of the volume of business done and the figure is obtained by arranging the individual collection percentages in order of size and selecting the middle item. This procedure tends to minimize fluctuations.

Manufacturers

Manufacturers' sales showed a marked gain during August, 1937, as compared with August, 1936, while the rate of collections on accounts receivable decreased slightly according to reports from manufacturers cooperating in the monthly joint study.

As compared with July of this year there was a decided gain in sales (no allowance being made for seasonal influences) while the rate of collections was at practically the same level.

The total net sales of 525 manufacturers throughout the country regis-

tered an increase of almost 14 percent from August, 1936. Without adjustment for seasonal influences, August, 1937, sales were 9 percent above July of this year.

Total sales increased in August, 1937, over the same month last year for all of the 13 industry groups shown in the report except chemicals and allied products which recorded a decline of about 2 percent. The increases ranged from 29 percent for machinery, not including transportation equipment, to about one-half of one percent for food and kindred products.

Percentages of collections on accounts receivable submitted by 520 manufacturers for August, 1937, averaged slightly less than for August a year ago and almost the same as for July of this year. During August this year the manufacturers reporting collected 78.0 percent of their accounts receivable outstanding on the first of that month as compared with 80 percent collected during August of last year and 78.5 percent during July, 1937.

Only four of the 15 industry groups shown reported a higher average collection percentage for August, 1937, than for August, 1936. The greatest relative increase in collections between these periods was registered by manufacturers of food and kindred products.

The highest collection percentages were reported by the meat packing industry, the ratio for August, 1937, being 167.7 percent, indicating that customers of these firms, on the average, paid for their purchases in approximately 18 days.

Detailed figures are presented in the following table and charts:

Sales and collections on accounts receivable of reporting WHOLESALE in 21 kinds of business August 1937

Kinds of business	Number of firms reporting sales	Sales reported					Number of firms reporting collections	Percent* of collections during month to accounts receivable at beginning of month		
		Aug. 1937 percent-age change from:		Thousands of dollars				Median percentages		
		Aug. 1936	July 1937	Aug. 1937	Aug. 1936	July 1937		Aug. 1937/Aug. 1936/July 1937		
Automotive supplies.....	58	+10.0	+ 3.0	2,101	1,910	2,039	37	65.9	69.7	69.0
Clothing and furnishings, except shoes.....	19	- 1.1	+151.2	2,213	2,238	881	9	43.0	53.5	56.3
Shoes and other footwear.....	43	-14.7	+ 6.5	14,149	16,586	13,284	20	32.9	38.5	41.5
Drugs and drug sundries.....	140	+ 9.6	+ 1.8	20,867	19,040	20,494	119	78.0	75.3	77.6
Dry goods.....	92	+ 0.8	+46.0	18,646	18,490	12,775	48	44.4	47.0	44.8
Electrical goods.....	108	+28.0	-13.7	12,161	9,501	14,093	54	71.2	78.2	74.9
Farm products (Consumer goods).....	18	- 5.1	+ 0.9	2,483	2,616	2,460	18	118.0	103.0	113.0
Furniture and house furnishings.....	28	+16.8	+27.4	1,649	1,412	1,204	18	51.0	52.1	51.5
Groceries and foods, except farm products.....	239	+ 2.2	- 1.2	32,175	31,483	32,582	179	99.6	97.8	102.5
Meat and meat products.....	17	+10.6	-10.2	8,339	7,543	9,282	15	157.0	130.9	146.0
Hardware.....	137	+13.1	+ 0.8	18,554	16,409	18,414	62	50.1	54.0	55.0
Jewelry and optical goods.....	17	+22.7	+22.2	720	587	589	—	—	—	—
Leather and shoe findings.....	12	- 2.8	+12.6	241	248	214	11	37.0	39.0	40.0
Lumber and building material.....	17	+ 9.3	+ 3.7	1,585	1,450	1,528	16	69.2	70.0	65.6
Machinery, equipment and supplies, except electrical.....	25	+35.5	+15.0	3,728	2,752	3,242	22	60.3	66.0	63.6
Metals.....	7	+10.3	- 7.2	384	348	414	7	71.6	60.7	76.0
Paints and varnishes.....	9	+ 3.0	- 6.9	339	329	364	9	63.0	56.1	58.2
Paper and its products.....	59	+ 9.8	+ 4.1	4,054	3,691	3,896	37	74.0	73.3	75.0
Plumbing and heating equipment and supplies.....	58	+23.9	+ 8.2	3,386	2,732	3,130	30	60.4	62.5	62.7
Tobacco and its products.....	10	+ 6.3	- 2.6	859	808	882	9	112.0	110.0	98.0
Miscellaneous.....	35	+ 5.5	+ 2.2	7,990	7,574	7,815	38	77.3	79.5	76.0
Total.....	1148	+6.0	+ 4.0	156,623	147,747	149,672	756	72.0	72.0	72.5

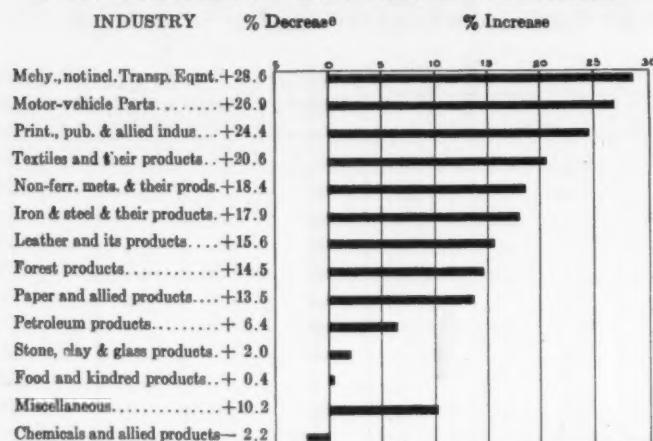
*These figures should not be related to sales figures for current month. They represent only ratio of collections during that month to accounts receivable at beginning of month. The wide differences existing between the percentages for various kinds of business are due principally to variations in terms of sales.

Sales and collections on accounts receivable of reporting MANUFACTURERS in 14 industries August 1937

Industry	Number of firms reporting sales	Sales reported					Number of firms reporting collections	Percent* of collections during month to accounts receivable at beginning of month		
		Aug. 1937 percent-age change from:		Thousands of dollars				Median percentages		
		Aug. 1936	July 1937	Aug. 1937	Aug. 1936	July 1937		Aug. 1937	Aug. 1936	July 1937
		Aug. 1936	July 1937	Aug. 1937	Aug. 1936	July 1937		Aug. 1937	Aug. 1936	July 1937
Food and kindred products, total	126	+ 0.4	+10.5	28,136	26,032	25,466	94	114.5	107.5	115.4
Confectionery	43	+ 9.6	+ 7.3	2,871	2,619	2,675	12	107.0	104.0	109.0
Flour, cereals and other grain mill products	17	-22.4	+ 2.3	6,133	7,906	5,997	17	118.6	106.0	136.0
Meat packing	16	+ 7.0	+ 1.6	5,679	5,305	5,592	16	167.7	148.5	177.2
Textiles and their products, total	70	+20.6	+70.3	21,755	18,042	12,771	69	65.0	69.4	62.9
Clothing, men's, except hats	19	- 1.6	+94.1	4,867	4,944	2,507	18	51.1	54.9	46.7
Clothing, women's, except millinery	14	+ 9.7	+109.1	2,265	2,065	1,083	14	65.5	76.0	69.4
Knit goods	11	+ 4.7	+56.3	2,253	2,243	1,435	12	66.3	62.2	64.4
Forest products, total	34	+14.5	+17.6	3,079	2,690	2,613	32	60.5	60.0	58.5
Furniture	25	+15.7	+20.9	2,346	2,028	1,940	23	60.5	57.0	58.2
Lumber, timber and other forest products	9	+10.7	+ 8.1	733	662	678	9	58.0	66.7	58.8
Paper and allied products, total	64	+13.5	+ 2.0	11,418	10,058	11,199	53	84.9	86.0	84.0
Paper, writing, book, etc.	12	+18.0	+ 1.3	4,787	4,058	4,725	11	98.0	99.4	91.4
Paper boxes and other paper products	31	+12.4	- 0.3	6,031	5,366	6,052	28	93.1	89.5	92.1
Wall paper	21	- 5.4	+42.2	600	634	422	14	30.1	29.6	27.7
Printing, publishing and allied industries	9	+24.4	+ 2.5	771	620	752	9	76.0	81.0	76.0
Chemicals and allied products, total	42	- 2.2	+ 1.2	8,435	8,621	8,338	42	56.3	62.8	57.4
Paints and varnishes	13	+ 5.7	+ 3.8	1,999	1,892	1,926	19	55.0	62.9	60.0
Pharmaceuticals and proprietary medicines	14	+10.3	+14.0	2,742	2,486	2,406	14	54.7	58.5	52.9
Petroleum products	7	+ 6.4	- 2.0	15,674	14,725	16,001	7	72.0	75.9	71.1
Leather and its products, total	29	+15.6	+30.1	11,802	10,206	9,074	28	46.2	53.7	63.8
Boots and shoes	20	+16.4	+40.6	9,836	8,447	6,998	19	41.6	43.4	46.6
Stone, clay and glass products	17	+ 2.0	+ 3.6	2,958	2,901	2,856	22	77.8	85.2	80.5
Iron and steel and their products, total	50	+17.9	+ 5.3	37,292	31,632	35,415	50	90.0	88.4	84.9
Hardware	9	+10.4	- 5.0	2,449	2,219	2,578	10	76.1	84.0	74.0
Stoves, ranges and steam heating apparatus	7	+49.9	+17.7	1,584	1,057	1,346	7	106.1	90.4	93.2
Other iron and steel products	34	+17.3	+ 5.6	33,259	28,356	31,491	33	91.5	89.3	88.0
Non-ferrous metals and their products	15	+18.4	+ 5.7	7,702	6,504	7,290	16	71.8	78.5	79.2
Machinery, not including transportation equipment, total	45	+28.6	- 8.3	29,205	22,703	31,863	45	76.0	74.0	78.2
Electrical machinery, apparatus and equipment	16	+34.3	- 2.6	21,429	15,962	22,012	19	79.1	83.7	81.0
Other machinery: foundry products	29	+15.4	-21.1	7,776	6,741	9,851	26	65.9	68.0	74.8
Motor-vehicle parts	13	+26.9	+15.8	4,728	3,725	4,084	13	91.4	92.6	95.6
Miscellaneous industries	40	+10.2	+ 7.5	9,093	8,249	8,458	40	72.5	73.4	75.5
Total	575	+13.8	+ 9.0	192,048	168,708	176,185	520	78.0	83.0	78.5

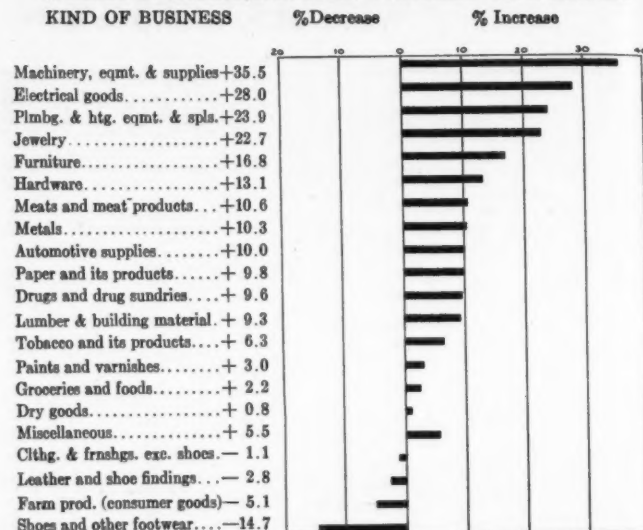
*These figures should not be related to sales figures for current month. They represent only ratio of collections during that month to accounts receivable at beginning of month.

PERCENTAGE OF CHANGE IN SALES OF 575 MANUFACTURERS
IN 14 INDUSTRIES, AUG. 1937 COMPARED WITH AUG. 1936



Source: Marketing Research Division, Bureau of Foreign and Domestic Commerce

PERCENTAGE OF CHANGE IN SALES OF 1148 WHOLESALERS IN
21 KINDS OF BUSINESS, AUG. 1937 COMPARED WITH AUG. 1936



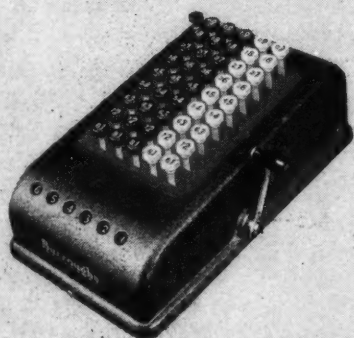
Sales and collections on accounts receivable of reporting WHOLESALERS in 11 kinds of business, by geographic regions August 1937

(Results shown only for those trades having a sufficient number of reports for one or more regions*)

Kind of business and region	Number of firms reporting sales	Sales reported						Number of firms reporting collections	Percent of collections during month to accounts receivable at beginning of month		
		Aug. 1937 percent- age change from:		Thousands of dollars			Median percentages				
		Aug. 1936	July 1937	Aug. 1937	Aug. 1936	July 1937	Aug. 1937		Aug. 1936	July 1937	
Automotive supplies, total	58	+10.0	+ 3.0	2,101	1,910	2,039	37	65.9	69.7	69.0	
East North Central	7	+10.9	- 5.1	244	220	257	6	63.0	63.0	65.6	
West North Central	9	+ 7.3	+ 4.8	176	164	168	7	72.6	71.6	71.4	
Pacific	32	+ 7.1	+10.8	900	840	812	16	66.7	70.4	70.6	
Shoes and other footwear, total	43	-14.7	+ 6.5	14,149	16,586	13,284	20	32.9	38.5	41.5	
Middle Atlantic	12	- 6.3	+45.8	1,698	1,813	1,165	—	—	—	—	
West North Central	9	-21.7	-11.0	8,794	11,227	9,877	—	—	—	—	
South Atlantic	5	- 2.0	+82.6	1,640	1,674	898	—	—	—	—	
Pacific	6	+ 7.9	+91.5	314	291	164	5	42.8	46.0	43.0	
Drugs and drug sundries, total	140	+ 9.6	+ 1.8	20,887	19,040	20,494	119	78.0	75.3	77.6	
Middle Atlantic	21	+10.7	- 0.7	4,421	3,992	4,454	20	74.9	73.5	73.9	
East North Central	24	+12.2	+ 1.4	3,328	2,966	3,281	16	90.3	92.7	89.5	
West North Central	15	+ 9.0	+ 6.7	2,225	2,041	2,085	14	89.2	83.3	86.7	
South Atlantic	28	+11.7	+ 0.7	2,314	2,071	2,297	24	77.1	72.5	74.8	
East South Central	13	+ 1.6	+ 3.5	1,313	1,292	1,268	10	57.8	54.2	60.4	
West South Central	15	+ 9.4	+ 6.7	1,874	1,713	1,756	14	82.3	86.0	82.8	
Pacific	12	+ 6.7	+ 2.3	4,006	3,756	3,917	12	66.5	69.1	64.1	
Dry goods, total	92	+ 0.8	+46.0	18,646	18,490	12,775	48	44.4	47.0	44.8	
Middle Atlantic	16	+ 5.9	+16.7	1,654	1,562	1,417	—	—	—	—	
East North Central	10	+ 7.1	+12.0	1,317	1,230	1,176	9	43.1	47.0	49.1	
West North Central	7	- 3.2	+53.8	7,065	7,296	4,593	—	—	—	—	
South Atlantic	14	+ 4.3	+64.3	1,934	1,855	1,177	8	42.3	41.9	37.9	
East South Central	11	- 4.8	+63.7	1,791	1,881	1,094	—	—	—	—	
West South Central	15	+ 1.5	+50.4	2,864	2,823	1,904	—	—	—	—	
Pacific	15	+ 9.9	+42.8	1,879	1,710	1,316	13	52.0	61.8	50.0	
Electrical goods, total	108	+28.0	-13.7	12,161	9,501	14,093	54	71.2	78.2	74.9	
Middle Atlantic	9	+24.6	- 9.1	1,054	846	1,160	6	71.9	77.1	86.1	
East North Central	50	+44.8	-11.5	5,126	3,539	5,789	10	81.5	86.1	83.2	
West North Central	9	+25.4	-28.9	1,413	1,127	1,986	—	—	—	—	
South Atlantic	12	+ 9.9	- 8.6	1,397	1,271	1,529	10	64.9	78.6	72.5	
Pacific	17	+12.6	-14.9	2,137	1,898	2,512	16	71.6	83.4	72.7	
Furniture and house furnishings, total	28	+16.8	+27.4	1,649	1,412	1,294	18	51.0	52.1	51.5	
Pacific	10	+14.6	+15.5	275	240	238	8	53.5	52.1	59.4	
Groceries, total	239	+ 2.2	- 1.2	32,175	31,483	32,582	179	99.6	97.8	102.5	
Middle Atlantic	51	- 0.5	- 3.9	6,867	6,902	7,148	38	90.4	97.6	101.3	
East North Central	56	- 0.9	- 0.2	8,687	8,764	8,706	47	98.5	96.0	103.0	
West North Central	37	- 0.2	- 3.4	4,174	4,181	4,321	23	112.6	101.7	118.0	
South Atlantic	30	+ 5.3	- 3.6	2,113	2,007	2,192	20	95.4	85.1	97.6	
East South Central	13	+ 2.1	0.0	714	699	714	7	73.8	75.9	76.0	
West South Central	25	- 2.8	+ 2.3	3,346	3,444	3,270	21	87.0	94.9	90.6	
Mountain	5	+ 5.1	- 2.7	1,281	1,219	1,316	—	—	—	—	
Pacific	18	+17.6	+ 1.7	4,679	3,978	4,600	15	113.0	114.0	114.0	
Hardware, total	137	+13.1	+ 0.8	18,554	16,409	18,414	62	50.1	54.0	55.0	
Middle Atlantic	25	+ 5.9	- 1.4	1,604	1,515	1,626	—	—	—	—	
East North Central	22	+17.0	- 6.2	4,569	3,905	4,873	11	52.7	58.2	62.4	
West North Central	17	+10.2	+ 3.6	2,500	2,268	2,593	10	49.1	54.7	55.3	
South Atlantic	18	+ 8.3	+ 7.5	1,361	1,257	1,266	15	39.6	50.0	46.7	
East South Central	16	+ 8.5	+12.7	2,091	1,927	1,855	—	—	—	—	
West South Central	14	+27.7	+11.5	1,356	1,062	1,216	—	—	—	—	
Pacific	19	+13.9	+ 3.6	4,453	3,908	4,297	17	56.4	60.7	56.8	
Jewelry	17	+22.7	+22.2	720	587	589	—	—	—	—	
Middle Atlantic	12	+21.4	+14.6	510	420	445	—	—	—	—	
Paper and its products, total	59	+ 9.8	+ 4.1	4,054	3,691	3,896	37	74.0	73.3	75.0	
Middle Atlantic	20	+10.9	+ 3.2	1,408	1,270	1,365	—	—	—	—	
East North Central	15	+12.4	+ 2.7	1,484	1,320	1,445	14	73.7	72.4	73.6	
South Atlantic	6	+ 3.5	- 2.0	299	289	305	—	—	—	—	
Pacific	7	+12.4	+23.0	380	338	309	6	79.0	72.8	79.7	
Plumbing and heating equipment and supplies, total	58	+23.9	+ 8.2	3,386	2,732	3,130	30	60.4	62.5	62.7	
Middle Atlantic	23	+22.6	+21.7	851	694	699	8	53.5	63.5	57.0	
West North Central	7	+ 2.5	+ 0.9	327	319	324	6	55.8	64.5	58.4	
South Atlantic	15	+ 9.1	+ 5.7	683	628	646	—	—	—	—	
Pacific	5	+35.4	-14.4	513	379	599	—	—	—	—	

*States comprising regions: New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont)
Middle Atlantic (New Jersey, New York, Pennsylvania)
East North Central (Illinois, Indiana, Michigan, Ohio, Wisconsin)
West North Central (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota)
South Atlantic (Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia)
East South Central (Alabama, Kentucky, Mississippi, Tennessee)
West South Central (Arkansas, Louisiana, Oklahoma, Texas)
Mountain (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming)
Pacific (California, Oregon, Washington)

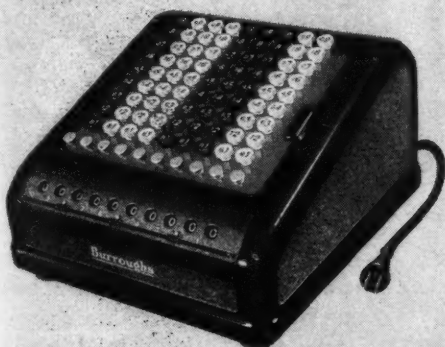
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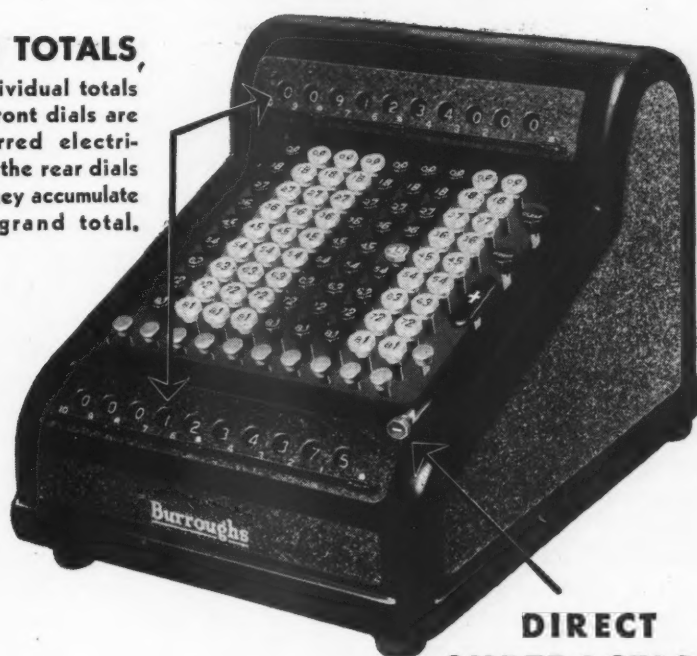
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Credit surveys help credit men

by EDWARD L. LLOYD, Chief,
Market Data Section, Dept. of Commerce

One of the significant results of the educational and research activities that have been carried on by trade associations, research foundations, and governmental bureaus and agencies, has been the desire of business men to examine the broad economic picture, rather than to concentrate on the limited sphere in which they operate. This broadened outlook has led to an expanded concept of the job each executive has to perform.

The credit executive, who thinks of his job in the proper light, envisages it as one in which it is his duty to watch closely the economic activity in two fields important to the success of his organizations, namely, that of source of supply and that of ultimate consumption of his firm's particular products.

In keeping with this view, the credit executives of wholesale and manufacturing firms must now of necessity pay attention to the credit activity and credit experience of their own customers, the retailers and with their customers, the consumers. This must be done in addition to the efficient performance of the myriad duties essential to the credit executive's conduct of his own department's relationships. The necessity of his having an intimate knowledge of retail credit conditions and giving the attention suggested becomes obvious when we consider the amount of wholesalers' and manufacturers' sales made upon a credit basis and the proportion of these total sales made to retailers.

The recent census of wholesaling which was taken as part of the Census of Business of 1935 discloses that 45.4 percent of the total sales of all wholesale establishments furnishing such data was made to retailers for resale. For wholesale establishments classified as

full-service and limited-function wholesalers, this percentage is considerably higher. This type of wholesale establishment made about 60 percent of their total sales volume direct to the retailers. It is also reported that about 20 percent of manufacturers' total sales are direct to retail establishments. Obviously not all of these sales were made on a credit basis.

The wholesale census reports do show, however, that the 62,086 full-service and limited-function wholesalers with an annual volume of business in 1935 of \$13,650,448,000 who furnished the Department of Commerce with credit sales data reported that 81.5 percent of their sales were made on terms. The remaining wholesalers (there was a total of 88,931 full-service and limited-function wholesalers with a volume of \$17,661,691,000 listed in 1935) either operated on a cash basis or failed to furnish the Department with credit information. As to manufacturers' credit sales, it has been consistently estimated that about 90 percent of total sales is made on some form of credit basis.

While these figures are impressive and force one to admit the need of careful study of retail credit data, the credit executive is interested in two other important questions: Where can he secure a common basis of credit experience by lines of trade and for the various geographic regions of the country with which he can compare the individual credit experience of his retail customer; and how can a credit executive put this information to practical use in credit management?

The answer to the first of these questions is found in the retail credit studies of the Bureau of Foreign and Domestic Commerce. The Bureau first undertook these studies in 1928 at the

request of credit men throughout the United States. At that time the nationwide credit survey, covering the years 1925, 1926 and 1927 for all principal trades and for all sections of the country, was made. Eight semi-annual reports followed but with a limited number of trades and cities represented. Since 1934 data have been collected on an annual basis and expanded to include a greater variety of retail trades as well as a larger geographical representation. The latest report covers the year 1936 and is based on data secured from approximately 2,000 retail credit-granting firms in 14 kinds of retail trade located in 88 cities throughout the country.

From this 1936 study it is important for credit executives of wholesalers and manufacturers to note that accounts receivable owed retailers were paid more promptly in 1936 than in 1935, regular charge accounts being paid on an average of every 64 days in 1936 or two days less than the average for the previous year. Installment accounts were liquidated in 7 months and 1 day, which is a reduction of 5 days from the average for 1935. The ratios of bad debt losses for certain trades were the lowest reported since 1929, open credit losses for all trades being one-half of one percent for 1936 as contrasted with six-tenths of one percent for 1935. Installment losses were 1.2 percent in 1936, whereas they were 1.5 percent in the previous year.

It is also significant to note that cash and open credit sales accounted for the bulk of business transacted by these firms in 1936. The proportion of cash sales, however, decreased to 41 percent of total sales from 43 percent in 1935, while the proportion of open credit sales remained about the same and installment sales increased to 14 percent of total sales as contrasted with 13 percent for the previous year.

Installment sales also showed the greatest percentage increase, being 25 percent greater in 1936 than 1935; open credit sales increased 15 percent and cash sales were up 11 percent. These increases both in percentage gain of installment sales and the proportion of installment sales to total sales is a continuation of a trend that was first noted in the last months of 1933 at which time the ratio of credit to total sales reversed its downward trend of the previous four (Cont. on p. 28)

The credit man steps out

The following editorial appeared in the August 15th issue of "Forbes" coincident with the publication in that magazine of an article by Executive-Manager Henry H. Heimann on "What makes a modern credit man?"

Observed the editorial writer: No one has ever blasted the credit manager as thoroughly as Elbert Hubbard blew the purchasing agent out of water when he said:

"The typical buyer is a man past middle life, spare, wrinkled, intelligent, cold, passive, noncommittal; with eyes like a codfish, polite in contact, but at the same time unresponsive, cool, calm, and damnably composed as a concrete post or a plaster-of-paris cast; a human petrification with a heart of feldspar and without charm or friendly germ, minus bowels, passions, or a sense of humor."

But many business men have, at one time or another, longed for Hubbard's skill so that they could similarly pay their respects to the credit manager. Especially if those business men were salesmen trying to squeeze a concession out of the credit department for a new customer; or a business proprietor trying desperately to keep a struggling company above water.

Happily, that day seems to be passing. Neither purchasing agent nor credit manager now deserves the attention of another Hubbard.

Thirty years ago, when Hubbard let loose his blast, half-humorous though it was it could have been applied literally to more than one buyer. And a like blast at some business leaders might have been nothing more than the truth. Since then, business leaders have grown in wisdom, and with them the purchasing agent. His stature in business has increased enormously, and with it his breadth of view, his sense of responsibility, his knowledge of the real elements of his job—in short, his business statemanship.

So it has been with the credit manager. Old Scrooge, poring over dusty accounts, looking at today's penny rather than tomorrow's shilling, always trying to squeeze the last drop out of every transaction no matter what future consequences or human values were involved, was never a model credit man. He would be even less so today.



Strange Neighbor

Of course we know him well. For twenty years we've worked together! But how well does he know us? Does he know our inner thoughts, our hopes, fears, ambitions?

Then how can we know him?—And though most men and women are strong, honest, fair—a trail of business bankruptcies follows these strange neighbors whom we thought we knew.

National Surety Fidelity Bonds—a tribute to the records and past lives of those who enjoy their protection—bring business certainty into this world of human uncertainty.

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VINCENT CULLEN, PRESIDENT

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New York

For the credit manager has stepped out into a position of responsibility in the business world. He has had to; his job is too big for a lesser man.

As Henry Heimann observes on page 16, he must be patient; he must have constructive imagination; he must be able to work with others.

He must be an executive, a salesman, a finance and tax expert, an analyst of business conditions, a traveler, a judge of character, a realist of realists.

Above all, he must be able to take his nose out of the ledgers for a long,

shrewd look ahead. In these days when new industries are being born, he can't afford to be guided too much by a moldy rule book. For the real credit man—the man who is doing a real job for himself, for his company, and for the nation—knows that today's diffident applicant, pleading hat in hand for credit, may be tomorrow's industrial giant.

Being a credit man is no job for the dry-as-dust mind in 1937. It calls for business statemanship of the highest order.

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(Cont. from p. 26) years. Due to a similar situation which existed from 1934 to 1935, the study discloses that the gain in installment sales was about twice that for open credit sales and over three times the gain shown for cash sales over the two-year period.

This study of the movement of installment sales provides a basis for estimating the volume of installment selling which has been the subject of considerable discussion within the credit fraternity. This estimate places 1936 installment sales at \$4,500,000,000 as contrasted with \$3,600,000,000 in 1935 and \$6,500,000,000 in 1929. Although other sources have estimated 1936 installment sales to be much higher than that shown in this report, the representativeness of the data upon which it is based would indicate that it is reasonably accurate.

The opinion has been frequently expressed that certain practices prevailing in installment selling are giving too much impetus to this form of selling. According to numerous sources, eliminating or reducing the amount of the down payment on an installment sale is one step taken by large numbers of retailers to stimulate their dollar volume of business. The same result is being attempted in other ways: such as lowering the rate of carrying charge and in some instances imposing no carrying charge whatsoever; lengthening terms of sales with a consequent tying up of the retailers' capital for longer periods; and enlarging the classes of merchandise sold upon an installment basis, particularly those of a non-durable or readily consumable nature that have not previously been sold in this manner.

Such developments, it is said, will burden the consumer with debt and if another period of adverse business conditions occurs, the consumers' lack of steady income to liquidate installment commitments will occasion serious loss to various phases of our economic system. The trend in certain phases of credit activity, however, such as rates of collections and losses from bad debts on accounts receivable tends to show that no harmful results have occurred so far.

The extent to which these practices are considered undesirable and the seriousness with which they are held by the credit fraternity are reflected by recent action of various credit groups. These actions have taken the form of resolutions and recommendations designed to place the emphasis upon selling goods and services rather than credit terms. The National Retail Credit Men's Association at their recent convention recommended that "in no case should terms be lengthened in extending installment credit" and advocated standard terms of 24 months for electric refrigerators, 18 months for furniture, stoves and ranges, 12 months for radios and washing machines, and 6 months for fur coats selling for over \$300.

The National Association of Credit Men, while pointing out that installment selling had aided in business recovery and had not as yet "assumed unhealthy or dangerous proportions," at the same time strongly urged its membership to exercise utmost vigilance and to seriously examine present installment sales terms and methods. Similar warnings and resolutions have been acted upon by the Credit Management Division of the National Retail Dry Goods Association, the Executive Committee of the National Retail Furniture Associations and by the National Association of Sales Finance Company through the pages of its official monthly publication.

The widespread interest in this subject and its importance have led the Marketing Research Division of the Bureau of Foreign and Domestic Commerce to set up a unit to make an investigation of installment credit. This investigation is designed to determine not only the total amount of installment transactions, but the extent of the practice by industry groups. The investigation will also cover the type of goods sold on an installment basis, terms of sale, prevailing rates, geographical differences in the use of installment credit, and the agencies and institutions involved in the extension and collection of installment accounts. It will collect, analyze and compile data from original sources as well as compile all data, existing or future, for governmental and non-governmental sources.

The uses to which a credit executive

in the wholesaling and manufacturing fields may put the information contained in the annual retail credit study are many. For example, he may use these data as a basis with which he may compare a credit applicant's financial statement. He could also require data from retailers on the proportion of their credit sales to total sales and should this proportion be out of line with the averages shown by the survey, a more detailed examination of the customer's application and a closer scrutiny of other ratios usually relied upon could be made.

The average figures given in the study for open and installment outstandings furnish the wholesaler and manufacturer with a guide in the establishment of their own terms. While the practice is not widespread it is desirable, for comparative purposes, that retailers be required to show their collection experience when submitting applications for credit. A comparison of the applicant's figures with the averages of other retailers in the same line of trade and in the same geographical locality will in many cases disclose danger signals that will help one avoid future losses.

Another use of the survey which will prove of value to manufacturers and wholesalers is the comparison of the bad debt losses of the applicant, which usually appear on the financial statement submitted, with the average loss experience shown in the survey. These surveys have disclosed that loss ratios have been decreasing since 1933 and where a retailer applying for credit shows an opposite tendency, caution should be taken. This becomes all the more necessary if a large proportion of the retailers' sales are on a credit basis, particularly if sold on installment terms.

It is hoped that this brief analysis of the Department of Commerce annual Retail Credit Study and the suggested uses that may be made of it will emphasize the high degree of interdependence between the retailer and the manufacturer or wholesaler. It should constantly be borne in mind by the credit executive that his collection of accounts from the retail customer is dependent to a large extent upon the retailer's ability in handling credit and keeping his accounts receivable in good condition.

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37



But

THEY CAME BACK

Refugees leaving San Francisco—as caught by a cameraman during the conflagration of April, 1906. Seldom has history recorded such a catastrophe—and never have the people of any city surpassed the courage shown by the 280,000 San Franciscans who were forced to flee from their burning homes. *But they came back* to build a bigger and better San Francisco, aided in their tremendous task by more than \$200,000,000 paid in claims by stock fire insurance companies.

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We regret not having received your remittance after our letter of January 23rd, calling attention to an unpaid balance of \$501.02, which we are quite uninformed as to whether same is a wilfully neglected account or having been overlooked due to other pressing matters.

We have before us sufficient communications from local banking institutions and commercial reports regarding your Company, which leads us to believe that your Company should at least desire to take care of a portion of this account, should you not at this time be able to take care of the entire amount.

It is our desire to work with you in working out the full payment of this account, if consistent for us to do so, but we cannot be expected to do so without some assistance from yourselves.

Awaiting your remittance in full or at least a portion of the account by return mail, we are,

by W. R. McCULLOUGH, Barnes-Ross Co.,
Indianapolis, Ind.

Gentlemen:

Every time I have to write for financial aid, I recall the more or less distant school days when I found it so difficult to write a letter home. Never had any trouble composing a letter except when I had to ask for money. Then it was a task—and I've never been able to find the reason. Father or mother always sent it if they possibly could—and if they couldn't they made me understand and sent a word of encouragement. Yet it has always been a task.

Of course in those days I had only myself to worry about—whereas now I have to assume responsibility for the company when Mr. Barnes and Mr. Ross are away.

So if you will overlook my crude way of expressing it—we need money and I'm forced to depend on you for all you can possibly spare on your account.

Just slip your check into the enclosed envelope—and thank you a lot.

NOTE "In reading through my scrap book of collection letters which I have used since 1917 and saved for future use I ran onto the one enclosed, which had the notation on same 'this seems to get them.' The copy was dated June 14th, 1924, '52%.' I have kept a complete tabulation of results of my collection letters over the past ten years and I am in this way able

to use those giving the largest percentage of returns," Mr. Winther writes us in submitting the collection letter published on this page.

"Should this letter meet with approval to make 'This Month's Collectors' in 'Credit,' I submit same as a helpful letter for what it may be worth."

A great deal of collection letter writ-

ing, however, can be obviated if proper care is taken in analysis of credit responsibility. The most fundamental, up-to-date method ever devised for knowing just how worthy your credit applicant is as a risk has achieved foremost standing among credit executives because it is based on the current record: The Credit Interchange System of the N. A. C. M.

Who reads C. & F. M.?

From the Wichita "Creditalk" we call this complimentary item by Editor "Hod" Ensign.

"We heard a remark this morning that cannot possibly be true—'Not many members read Credit and Financial Management'.

"If it were 75% true, it would indicate that there is something radically wrong with members of the N.A.C.M. who do not take time to read Credit and Financial Management.

"There isn't a page, including the ads, that is not instructive and beneficial to every grantor of credit given the opportunity to read it. Take up your August issue for instance.

"Is there a credit executive or business man who will not learn something for his good by reading Mr. Heimann's editorial, or by studying 'Tax Trends in Business', or by giving thought to 'Who Pays the Taxes?' or by looking himself in the face while reading 'Why a Credit Man?'

"Then to maintain your further interest, glance through 'Ties that Bind'. You'll get an insight into railroad problems that perhaps you felt did not exist. 'Is Unemployment Incurable?' by our own former Senator Henry J. Allen is another splendid article in which there is much food for thought. 'Gates Ajar' presents an interesting thesis on selling and credits. We are always gazing at the 'Business Thermometer' in some form or other; and the one found on pages 24, 25 and 26 is especially interesting. There are other items, too, that should catch your eye and receive your attention.

"No, we do not believe that 'Not many members read Credit and Financial Management'. If there is indifference on the part of some of us, from now on let's get busy and read the contents, from cover to cover, of Credit and Financial Management. It is time interestingly and profitably spent. There is also a swell bunch of pictures that are worth looking at and studying, too."

Placer earnings

Small-scale placer mining as a means of mitigating unemployment offers little economic security and with some exceptions falls short of providing reasonable standards of living, according to a recent joint study by the Works

He has a right TO FEEL SECURE

*He writes only
Non-assessable
Insurance*



Here is the man who always comes to your rescue when hazards that constantly threaten property values strike with sudden fury. He is your reliable, "home-town" insurance agent. Worthy of your faith and confidence, he writes only *non-assessable* policies in time-tested, "old line" companies like Fireman's Fund. Never does he ask you to share the risk—he always transfers it completely to the company behind your policy. When he writes your protection in Fireman's Fund, he makes an investment in certainty for you—one that will always be worth par when misfortune strikes. Like the policyholders he serves, *he has a right to feel secure.*

*He is the Home-town Agent
for a company of the*

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*Fireman's Fund Insurance Company - Occidental Insurance Company
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DEPENDABLE INSURANCE SINCE 1863

Progress Administration and the United States Bureau of Mines. In 1935 the average number of days worked by 28,000 miners was 45. The average daily gross income for the 45 days was \$1.60, and the average gross income for the year from the same source was \$72. About one-third of a group of relatively successful small operators were found to have had recourse to public relief between 1933 and 1936.

Textile productivity

Technological changes taking place in the manufacture of cotton textiles between 1910 and 1936 made possible large increases in man-hour output. These possible increases varied according to type of goods produced, but were greatest in the production of terry cloth. At the same time the labor force required for the same amount of output was materially reduced.

Riot insurance problems analyzed

EN Generally considered the most comprehensive treatise yet published on riot and strike risks and riot and civil commotion insurance is the eight-page bulletin issued by the National Electrical Manufacturers Association for the guidance of its members which include the leading manufacturers in the field.

Prepared with the assistance of numerous fire insurance experts on all forms of riot coverage, copies of this booklet may be obtained at a price of 20 cents a piece at the N.E.M.A. offices, 155 East 44th Street, New York City. This detailed study considers with respect to riots and strikes their effect upon various kinds of insurance, how to procure or maintain desired protection and special problems raised by sit-down strikes, "The Eastern Underwriter" notes.

Following a general description of riot and civil commotion insurance the bulletin refers to the statement made by George W. Carter, of Detroit, at

the recent mid-year meeting of the National Association of Insurance Agents that legal opinion in Michigan is almost unanimous that sit-downs would be considered riots and that insurance companies are liable under riot and civil commotion clauses for damages suffered during strikes. Giving the insurance companies' reply to this the bulletin states:

"Insurance companies, however, faced with the complexities of the problem through claims for sit-down damage said to total several million dollars, are reported to have adopted through their organizations, the following general position: That the riot and civil commotion coverage was never intended to cover strike damage occurring in the absence of riot; that, while present sit-down claims may be paid, at least in part, under existing riot and civil commotion property damage clauses, action is being taken to clarify this coverage 'in line with its original intent,' in other words, to redefine it so that it clearly will not apply.

"Evidently, the, riot and civil commotion insurance is not to be thought of as strike insurance *per se*."

Holding that riot and civil commotion insurance, including the usual forms of supplemental contracts, do not cover two types of loss or damage; physical damage to property in the absence of riot and indirect or consequential loss or damage the bulletin considers the question as to how such risks may be covered where desired. The conclusion is that a fire insurance policy applies when the loss is due to fire or fire following an explosion, the explosion or riot and civil commotion coverage, whichever carried, takes care of explosion damage and the vandalism and malicious mischief endorsement or clause covers other direct physical damage to property.

"Vandalism, sabotage or malicious damage, such as to buildings, machinery, dies, equipment, materials and products may be covered through a vandalism or malicious mischief endorsement which may be applied to insurance covering property damage, use and occupancy, profits, rents or similar special interests. Originally written as an endorsement of the separate riot and civil commotion policy it may now (change made in April, 1937) be had by extension of the riot clause of the supplemental contract or the riot endorsement of the fire policy at least for certain types of risks in most territories; a procedure which it is believed will soon be more generally available. It is not available in some states.

"This form of insurance covers 'wilful and malicious physical injury to or destruction of property.' It thus protects the insured against this type of damage whether done by strikers, individually or collectively, or by spiteful employees (whether labor trouble exists or not), or by any other persons committing sabotage or malicious damage.

"The vandalism endorsement ex-

Provide

"The mouse that hath but one hole is quickly taken." In other words you must protect yourself from every angle. Insurance is protection. It will indemnify you for losses due to many hazards. Fire is the worst of these because it is most prevalent. However, windstorms too, do a tremendous amount of damage--damage that may mean the difference between profit and loss to you. You'd better let our agent analyze your insurance problem. Write.

SINCE 1854

**THE PHOENIX
INSURANCE COMPANY
OF HARTFORD, CONNECTICUT**
Cash Capital, . . . \$6,000,000.00
Surplus to Policyholders, \$44,182,317.01

More Than

More than four million individual record cards are on file in this office. No card is more than five years old. These cards are used to tabulate the statistics that guide the underwriting policies of this company. Other features that safeguard the interests of policyholders are as carefully supervised.

SINCE 1850

**Connecticut
FIRE INSURANCE CO.
OF HARTFORD, CONNECTICUT**
Cash Capital, . . . \$2,000,000.00
Surplus to Policyholders, \$16,589,071.08

One Escape

One escape from loss will pay the cost of insurance for years. Find out exactly what this would mean to you. Write.

SINCE 1859

FQUITABLE
Fire & Marine Insurance Company
PROVIDENCE, R.I.
Cash Capital, . . . \$1,000,000.00
Surplus to Policyholders, \$5,946,843.67

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cludes liability for loss by fire caused by vandalism or malicious action, since the fire policy covers such fire loss. It does not cover loss or damage to glass constituting a part of the building, since glass insurance covers malicious as well as accidental damage.

"It does not cover loss caused by explosion, pilferage, theft, burglary or larceny these also being the subject of other forms of insurance. Also the vandalism endorsement does not cover loss caused by depreciation, delay, deterioration or loss of market. Nor does it cover any consequential loss unless otherwise provided by endorsement.

"This is a deductible form of insurance, paying loss in excess of the first \$100. Until recently (Jan., 1937) the deduction was \$500.

"A vandalism endorsement is subject to the conditions of the policy to which attached and the same coinsurance requirements apply. Where used, it generally should be added to all riot and civil commotion coverages on the same risk to provide desired protection.

"Various indirect damages usually accompany or follow in the wake of a strike. The business may be interrupted not only during the strike, but afterwards while damaged property is being restored to serviceability, or serious loss may result from interruptions in power, supplies or in deliveries.

"Certain forms of insurance are available with respect to such indirect or consequential hazards, the possible value of which will evidently depend upon how serious such interruptions might be in a particular case. It should be kept in mind that these forms of insurance do not cover physical damage done to the insured property itself. What is covered is certain loss or damage which arises out of the fact that the property has been damaged or destroyed.

"The principal types of insurance against indirect or consequential risks are:

"'Business interruption,' or as it is more frequently called, 'use of occupancy' insurance, generally covers the loss of fixed charges and net profits, as described in the policy, resulting from a partial or total shut-down or loss of the use of the insured property caused by direct damage to the same. Thus, loss of use caused by direct damage from fire, tornado, flood, explosion, steam boiler explosion, machinery breakage and related hazards are the risks to which this form of insurance is usually applied.

"Such loss of profits and fixed charges may evidently also occur under conditions of riot, riot attending a strike, civil commotion and insurrection. Use and occupancy insurance can generally be extended to cover under such conditions. The coverage thus provided is usually limited to:

"Loss of net profits and fixed charges (as described in the U. & O. fire insurance form) resulting from partial or total shut-down of the insured property caused by direct damage to the insured property resulting from riot, civil commotion or insurrection. It covers only for the time after normal operations could otherwise have been resumed 'that would be required to repair, replace or recondition that portion of the property actually damaged or destroyed at the place of and during the time of a riot, insurrection or civil commotion.'

"It is quite possible that the use and occupancy loss following a strike would be more apt to arise (Cont. on page 36)

Do you need an assistant?

(Cont. from page 10) a prerequisite to credit. It was organized as the handmaiden of credit and so continues to this day, new uses being constantly found whereby insurance may aid progressive men in the operation and extension of commercial and industrial activity.

The institution of insurance, having discovered its responsibility to you and the public, is setting up the machinery to provide credit men with means to analyze the insurance protection maintained by their debtors. Finance reporting agencies are cooperating to change the form of their financial reports to that end. Your National Association is cooperating in arranging a series of meetings of state and local credit organizations at which the usefulness of insurance protection to credit men will be explored in a forum on the subject.

Countries and peoples of enterprise and initiative operate more and more on credit. Credit relies more and more upon insurance. You are credit men, and insurance is indispensable in the protection of your profession. Each of you will decide for himself whether he makes sufficient use of insurance—whether he will accept this assistant which credit men generally admit that he needs.

POSITIONS WANTED

Qualified Credit Man's Assistant

AT NO SALARY

I am qualified to advise on all forms of insurance required by your organization.

By employing me you can be assured of *adequate* and *safe* insurance protection in a company doing a world-wide business for the past 100 years.

My services are yours without salary from your company.

You will find me in every principal city and town. If you do not know my address in your city, it can be had for the asking.

I am an agent of the

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The other's side



Applause for Messrs. Heimann and Henry

Sirs:

A few days ago I was reading the August issue of Credit and Financial Management and chanced to read the resolution on installment credit terms adopted at your Convention. I had been thinking about this question of installment terms for some time and this resolution supplied the necessary impetus to a more formal expression of these thoughts upon the subject.

The enclosed article is the result. I thought it might fit into the editorial program of your magazine and be of interest to your readers and so am sending it to you. If you agree let me know. (Mr. Huegy's article appears on pages 19-21 of this issue.)

I liked the article by Prof. Henry on taxation. This is a problem about which business and society will be much more concerned in the future and I am glad to see you giving it attention. Was also very, very favorably impressed with the article in the July issue by Mr. Heimann. This is thinking about fundamentals and very much worthwhile.

Yours very truly,
HARVEY W. HUEGY,
University of Illinois,
Urbana, Ill.

Controlling distribution

by C. D. EDWARDS

CIn the last few years distribution has become a matter of politics, in which the victories have been incorporated in law. Tax laws designed to outlaw chain stores have been passed in a number of states. Under N. R. A. codes each interested group proposed rules to safeguard its position in the market. Some codes required quantity discounts, others required functional discounts, some established detailed systems of mandatory customer classification.

Many manufacturing codes required or permitted resale price maintenance; many distributive codes established mandatory markups above invoice cost. The wholesale codes generally sought to require a boycott of manufacturers who would not maintain a prescribed dif-

ferential between their wholesale prices and their prices on direct sales.

Since the codes, there has been a rapid development of so-called state fair trade laws, which forbid sale by distributors below manufacturers' resale prices or authorize contracts to maintain resale prices. Finally, the Robinson-Patman Act seeks to outlaw price differentials among competitors which cannot be justified by cost.

Such laws do not express any general plan to establish more efficient systems of distribution. They were conceived by groups as means of dealing with particular grievances. They were accepted as expressions of public policy either on the ground that small distributors should be protected or on the ground that the practices they condemned were discriminatory and therefore unfair. From the point of view of business the struggle over such laws is merely group competition by political process.—"Journal of Marketing."

Credit guidance

(Cont. from page 9) of common purpose, resulting in mutual harm. Thus, through cooperative action, can we maintain justice and keep our relationship in needed balance.

Credit men have an opportunity and a responsibility to encourage the practice of those principles of righteousness in human conduct. Not only because character gives stability to the credit structure, but because it constitutes the bulwark of our democratic institutions under which our country has developed. Ample and wisely utilized credit alone will not, of course, solve all of our problems. However, as a necessary supervisory agency it is a potent force.

We must individually and collectively assume the responsibility to quicken all the people for better support of the moral foundations of our country. As credit is founded on character and integrity, it would be negligence on the part of credit agencies to fail to foster and promote the undergirding influences of credit, to which I have referred. I believe you sense

your obligations and that you will guide the procession to meet the challenge of our times.

Fire Prevention is Credit Protection

P. P. Floater

QUESTION: In what states is it permissible for the marine companies to write the personal property floater?

ANSWER: Subject to the restrictions indicated, this popular "all risk" floater may be written in Arizona, Arkansas, California, Colorado, Florida (excluding the risks of fire and windstorm), Illinois, Indiana, Iowa, Kansas, Kentucky, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, South Carolina (excluding permanent residence), South Dakota, Tennessee, Texas (excluding the risks of fire, windstorm and hail in permanent residence), Utah, Washington, West Virginia and Wisconsin.

Destruction of records

Sirs:

We have just read Mr. Allen's most interesting and intelligent article on his experience in bankruptcy proceedings in the September number of "Credit and Financial Management." What he says is only too true, and if credit men generally would follow the course which he has been pursuing, the dividends from commercial bankruptcies would be substantially improved.

We note the suggestion in the article that "It should be a crime to destroy the records of a business so that the court is not in a position to get at the actual facts." The destruction of records is a crime punishable by imprisonment in the Federal Penitentiary for not to exceed five years.

We refer to Section 29B (7) of the Bankruptcy Act making the following a criminal offense: "After the filing of a proceeding under this Act, or in contemplation thereof, concealed, destroyed, mutilated, falsified or made a false entry in any document affecting or relating to the property or affairs of a bankruptcy."

It occurred to us that you might be interested in having this point brought to your readers' attention.

Very truly yours

GREGORY STEWART & MONTGOMERY,
Counsel for National Association
of Credit Men

Auto finance firms as credit risks

According to accepted banking standards, the conservatively managed automobile finance company constitutes an ideal credit. Its risks are small and widely spread and are being liquidated month by month. It has no merchandise except repossessed cars, which at a price are always salable. Its liabilities are spread over such periods that, if necessary, by ceasing its purchases it could pay all obligations as they mature, declared Arthur W. Newton, Vice-President, The First National Bank of Chicago, before the Robert Morris Associates recently.

These merits, however, do not alter the fact that carelessly or recklessly managed finance companies can get into trouble or lessen the desirability of bankers being given periodically such close analyses of the paper as is provided in the questionnaire and the audit

of a good public accountant. At this time I think it is more important than ever before that bankers should insist on their finance clients keeping themselves liquid.

Apparently some companies seem to be willing to meet any competition, however unsound, and only two facts can stop them—that is, the losing of their bank lines or the making of undue losses. If the management of a finance company will not listen to reason, its bankers are doing it a favor in with-

drawing lines as such action will certainly save it from losses later on.

This is a time when finance companies are asking their bankers for increased lines. It is eminently the time for the banker to refuse them except to those companies which are doing a reasonably conservative business. If the banker at this time will hold a fairly stiff attitude to the finance business, I think he may save future headaches to his friends and perhaps to himself.

YOUR CUSTOMER'S PROTECTION IS YOUR PROTECTION



THE CREDIT MAN who insists that customers who expect credit must have adequate fidelity coverage is rendering just as distinct a favor to the customer as he is to his own company.

If, in addition, the insuring company has the age, size, strength and reputation of the Fidelity and Deposit Company of Maryland, the favor is doubly valuable.

*Fidelity and Surety Bonds
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BRINGS THIS COMPANY **50% more returns**
ON ITS COLLECTION LETTERS



Robotypers are standard office equipment at the Sterling Clearing House in Pittsburgh.

When an account is turned over to the Sterling Clearing House, you can be sure it's a hard one to collect. That's their specialty . . . collecting the hard ones. And when the manager of that company tells us that Robotyper has been adopted as standard equipment in his office, we believe that's reason enough why we should recommend Robotyper to other Credit and Collection Managers.

Here's how Mr. Blieszner told it to us: "We have been using Robotyped letters for the past year in our correspondence department. Our collection-per-letter average has increased at least 50%. This increase has been accomplished at a saving of time and money."

Robotyped letters are more effective in stimulating collections because they are *individually typed*. They are cheaper because they are *automatically typed*.

The slow debtor must be made to feel that his account has become a matter of the credit executive's personal concern and attention. Ordinary form letters won't do. Each letter should be individually typed and personally signed. Robotyper is the logical answer. It's as necessary to your office as a typewriter, an adding machine, or any other piece of standard equipment.

We'd like to show you how Robotyper may be applied to your particular requirements. A free demonstration . . . on one of your own lists . . . is yours for the asking. No obligation, of course.

Robotyper operates any standard make of typewriter. Its mechanism is simple—its operation, easy. Types 100 words a minute. 100 to 150 average letters in an eight hour day. Operator has ample time for other duties. Battery of four, controlled by one operator produces 2400 to 3600 letters a week. Equipped with any standard Remington, Royal, L. C. Smith, or Underwood Typewriter.

Robotyper

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Riot Insurance

(Cont. from p. 33) from physical damage to the building, machinery, etc., which occurred in the absence of riot. Coverage for this may be provided through a vandalism and malicious mischief endorsement of the use and occupancy coverage. This insurance applies if the damage in question was caused by vandalism, sabotage or malicious mischief, whether by sit-downers, spiteful employees or others, and whether or not a strike condition existed.

"It might seem logical to expect that use and occupancy coverage would indemnify the insured while he was prevented from operating because of a sit-down or other kind of strike. But such is not the case. In terms of a strike, this coverage may be thought of as taking effect when the strikers cease to hold or to prevent access to or operation of the property and continuing until the property is put back into condition.

"While extending use and occupancy insurance to apply under conditions of riot, etc., may be valuable in some situations, note this will not, however, cover any of the loss resulting from shut-down caused by sit-downs or other kinds of strikes in the absence of actual direct physical damage to the property caused by riot, civil commotion or insurrection or by vandalism, if vandalism endorsement carried. Further, it does not cover loss resulting from a shut-down caused by riot, etc., not involving direct physical damage to the insured property.

"Again it should be noted that losses covered are those arising from direct damage to property, not the expense of replacing or repairing the damaged property.

"A serious tie-up may easily result from the crippling of certain machines, devices, equipment, dies, etc., particularly of a highly specialized nature or otherwise involving costly replacement delays. To cover such risks a form of insurance known as 'outage' is available, applying to 'the loss caused by the inability of a described object to function.'

"Outage insurance may usually be obtained to apply under conditions of accidental or malicious damage. It pays a predetermined hourly indemnity which, however, is not dependent upon any actual interruption of the business itself.

"Though this form is not widely used, it might be very useful in certain cases where, for example, a concern feels its major business interruption risks are largely concentrated in a very few pieces of equipment or where following damage to 'key' equipment, production would still proceed but on an impaired and more costly basis.

"Loss or damage to a specified property by spoilage, sometimes of serious proportions, can be caused by 'interruption of power or change of temperature resulting from the total or partial destruction or disablement . . . of power, heating, cooling, or refrigerating apparatus.'

"Such consequential loss or damage resulting from fire, wind storm, etc., can be covered by endorsement of the fire policy. This endorsement may, in most territories, be had without extra charge, but if not specifically requested is quite commonly excluded from the policy.

"If the consequential damage may result from disablement of the insured's boilers, engines, electrical machinery, etc., coverage would be provided by endorsement of power plant insurance.

"Where consequential damage endorsements are carried on policies, they should be checked to see whether riot and civil commotion coverage is provided thereunder, where of interest."

The bulletin then considers at length boiler and machinery insurance, automobile coverage, and transportation hazards, giving the forms of inland marine insurance from which riot and commotion loss or damage are generally excluded. In general, where required, inland marine policies can be extended to cover loss or damage thereunder due to strike, riot and civil commotion.

Liquor credits in New York

A new ruling of interest to liquor wholesalers was recently announced by the New York State Liquor Authority. The regulation limits the period in which wholesalers may extend credit to those selling liquor at retail.

The new regulation prohibits sales except for cash or on terms requiring payment within twenty-one days from date of delivery. Hotels and clubs are required to pay not later than the fifteenth day of the month following the month of purchase or delivery. Alcoholic beverages may not be sold, except for cash, to any retailer known to be in arrears.

Henry E. Bruckman, chairman of

the Authority, also announced that beginning Sept. 1 manufacturers and wholesalers may sell to retailers cleaning equipment and tapping accessories at no less than cost, provided payment is made within 30 days.

Wholesale credit in Buffalo

The ratio of overdue to outstanding accounts of 19 wholesale concerns in the Buffalo area dropped slightly from 14.1% on August 1 to 13.9% on September 1. This ratio stood at 19.6% on August 1, 1936. For six concerns in the food business the ratio stood at 21.8% on September 1, 1937 compared with 24.1% on August 1, 1937, and 27.2% on September 1, 1936.

Auto finance firms urged to cut terms, loans

Sales finance companies were urged to shorten the instalment paying period and curtail capital loans to dealers by the National Automobile Dealers' Assn. in a recent resolution.

A. H. Benson, general manager of the N. A. D. A., in explaining the resolution, said that a crucial point has been reached in the general practice by dealers and finance companies of granting long term financing. He added that with business approaching normalcy, now is the time to correct financing situation which might be very serious later.

Under present policies of long term financing dealers in the next business recession would have far greater open balances in instalment accounts to be liquidated than existed in the depression years by reason of the smaller consumer equities. Furthermore, Mr. Benson declared the market for repossessed cars would be stagnant.

The resolution infers that finance companies in making capital loans for the establishment of dealerships have lowered the caliber of dealers generally with the result that business practices of such financed dealers violate sound principles to such a degree that dealers with adequate capital of their own are being injured seriously. Restriction of the making of capital loans through used car wholesale financing is particularly urged by the NADA resolution.

Inflation of credit by the finance companies has been among the most damaging influences in recent years to the automobile industry's retailing credit, the resolution states.

"I've Learned Eight New Ways to Cut Credit Costs"



New Free Book Tells New Uses Of Age Analysis Of Charge Accounts

● Do you know all the benefits and uses of age analysis of charge accounts? How to use age analysis to measure the slow account problem—to determine the relationship between slowness of accounts and bad debt losses, between slowness of accounts and extra bookkeeping and collection costs?

How to make age analysis reveal the proportion of frozen assets in your accounts receivable? How to find the relationship between carrying slow accounts and borrowing from a bank, between slow accounts and capital turnover and rate of profit?

How to set up reserves for depreciation of accounts receivable? How to check the efficiency of collection work and the trend of collections?

All these important points and others are fully discussed in a new free book, "Age Analysis of Charge Accounts," written by Dr. Clyde William Phelps, Head, the Department of Economics, University of Chattanooga. Dr. Phelps' practical book is the first comprehensive attempt to explain how to interpret the facts and relationships revealed by age analysis and how to utilize these data in practical credit management.

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Household Finance has published this book to promote better credit methods. A copy will be sent to you without obligation. Mail the coupon.

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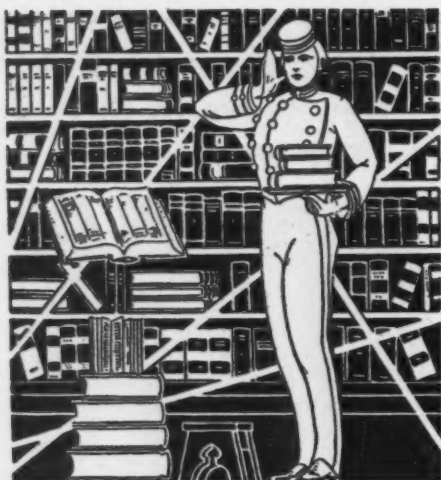
Please mail me free copy of "Age Analysis of Charge Accounts." This request places me under no obligation.

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Paging



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Business writing

THE LITERATURE OF BUSINESS. Selected and edited by Alta Gwinn Saunders and Herbert LeSourd Creek. Harper & Bros., New York. \$2.50.

Here is a revised edition of a unique publication. It reprints from a variety of publications and authors a miscellany of very interesting material concerning both the profession of business and business writing.

For instance, under the profession of business, there are articles concerning big business as a career and education's relationship to big business as well as various articles on the ethics and psychology of business. Also included in the first part are biographical pieces, success stories and three selections about the business man in fiction.

The second part of the book concerns business writing and covers credits and collections, claims and adjustments, advertising and selling, and a host of other subjects.

Miss Saunders, one of the two editors of the book, has contributed in the past to **CREDIT AND FINANCIAL MANAGEMENT** an article "Recent trends in collection letters," which is reprinted in this volume.

Some indication of the variety of

authors can be obtained from the following list: Theodore Roosevelt and Walter Lippmann, John Ruskin and Herbert Spencer, John D. Rockefeller and Henry Ford, H. L. Mencken and Bruce Barton, H. G. Wells and Robert Louis Stevenson.

Finally, a series of actual examples of types of business writing includes business letters written by famous people and a series of recent advertisements which the editors believe are worthy of the attention of anyone interested in doing business writing of any kind—which includes practically everyone in business.

Credit

MERCANTILE CREDIT. By William Howard Steiner. Longmans Green & Co., New York. \$1.00.

This book is one of a series on American business fundamentals and is a very excellent work for those interested in the credit field. It covers everything from the opening chapter, which deals with the credit problem, through such subjects as the setup of the mercantile credit department, trade information, financial statements and their analysis, factors effecting credit, such as seasonal and cyclical trends as well as government policies, credit limits, framing of credit policies, terms of sale, retailed installment credits, collection procedure, legal safeguards of creditors, insolvency and bankruptcy.

Dr. Steiner in the course of the book makes use of various forms, published by the National Association of Credit Men, to illustrate his points, including considerable emphasis on the operation and value of the Credit Interchange system.

Abroad and at home

BUILDING AN INTER-AMERICAN NEIGHBORHOOD. By Samuel G. Inman. National Peace Conference, New York. 35 cents.

THE COTTON SOUTH AND AMERICAN TRADE POLICY. By Peter Molyneux. National Peace Conference, New York. 35 cents.

ECONOMICS AND PEACE. By

Marc A. Rose. National Peace Conference, New York. 35 cents.

Three more in the excellent series of booklets on international and national economic subjects. Always worthwhile.

STRATEGY AND DIPLOMACY IN THE MEDITERRANEAN. By David H. Popper. Foreign Policy Association, New York. 25 cents.

THE BUENOS AIRES CONFERENCE BY CHARLES G. FENWICK. Foreign Policy Association, New York. 25 cents.

CROSS-CURRENTS IN DANUBIAN EUROPE. By Helen Fisher. Foreign Policy Association, New York. 25 cents.

HOT MONEY: AN INTERNATIONAL PROBLEM. By Herbert M. Bratter. Foreign Policy Association, New York. 25 cents.

Published twice a month, the reports of the Foreign Policy Association are always pertinent and authoritative. The above titles are the most recent in the series and are highly recommended.

Common stocks

THE COMMON STOCK THEORY OF INVESTMENT. By C. C. Bosland. The Ronald Press Company, New York. \$2.50.

In recent years common stocks have gained recognition from the standpoint of investment possibilities contrary to their previous consideration as being mainly of a speculative nature. This book summarizes various studies made in recent years of the value of common stocks as investments.

Statements

THE INTERPRETATION OF FINANCIAL STATEMENTS. By Benjamin Graham and Spencer B. Meredith. Harper & Bros., New York. \$1.00.

Although this book is principally interested in the interpretation of financial statements as a means of judging the future possibilities of a corporation from the standpoint of security investment, it is such a concise and complete work that it merits the attention of commercial credit men as well.



Now they've got **EMPLOYMENT INSURANCE FOR CAPITAL**

"**T**HERE have been times when I couldn't look at my balance sheet without wincing at the amount of my receivables. Today, with sales at the highest mark in years, I probably wouldn't have a finger nail left if it were not for the credit-insurance feature of Commercial Credit Company's new open account financing plan."

COULD HAVE USED THE MONEY

"For years I was a 'die-hard' on the subject of discounting my receiva-

bles. I could have sold all or any part of them to Commercial Credit Company at a low discount rate and put the money right back to work earning discounts, buying materials at cash prices, increasing volume, covering pay-rolls without borrowing. In every way, I stood to profit. But there was one rub . . . one angle that always stopped me."

THE LIMITED LOSS clause is a sound new development introduced exclusively by Commercial Credit Company to widen the scope of this modern form of industrial financing. Investigate its application either to your regular needs or to any special problems of your business. Full details on request . . . no obligation.

CONSERVATIVES TAKE NO CHANCES

"Suppose I got my cash, ploughed it back, built up my inventories, expanded my sales—and then had one or two of the big accounts I had sold go bad. I couldn't take the chance. Better to wait for my collections to come in, was my idea. So I continued to plod along with the good old ultra conservatives no matter how profitable the opportunities I had to pass up."

FITS STAND-PATTER POLICIES

"Now it's different. Commercial Credit Company has introduced a new feature that makes open account financing available and attractive to stand-patters like me. The Limited Loss clause fits my temperament and my business policies perfectly. I'm cashing my receivables now and employing my capital, *protected by employment insurance.*"

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The next few years will see a whole new group of executives controlling business. Your chance to be one of them was never better—the requirements were never more clearly outlined.

Yesterday's viewpoint means oblivion for thousands of executives—today you must have an up-to-the-minute mastery of certain underlying credit and business principles, and you must know how to apply them to the problems of tomorrow.

To help business men meet today's ever-increasing demands for a broader grasp of basic credit and business fundamentals, the National Institute of Credit has prepared a home-study training course covering Credits and Collections.

This course, designed to give you the greatest amount of credit training in the shortest possible time, is ideally suited to the limited spare hours of the busy business man. Consisting of lesson leaflets based on a recognized authoritative text, printed lectures by credit authorities, and typical credit problems selected from actual situations—the course assignments can be scheduled to suit your own convenience.

If you are engaged or interested in credit work, you do not need to be reminded of the significant part it plays in the commercial and business structure. Now is the time to use this practical means to prepare yourself for greater responsibilities just ahead.

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Please send me full information about your course in Credits and Collections.

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Street.....

City.....State.....

Tea brings out genius!

by DONALD A. LAIRD, Colgate University

EN Serving tea to employees, a growing trend in American offices, is converting the late afternoon slump at the day's "zero hour" into a "bright idea hour."

Tea, in relieving light fatigue, quickens mental processes and mental associations, and helps difficult problems to solution. For these reasons, "it is scarcely a figurative statement to say that the spread of this practice will, with both employees and executives, bring out the hidden genius as well as alleviate fatigue."

Citing light breakfasts and lunches as responsible for increased susceptibility to fatigue among office workers, food and drink during working hours constitute a relatively new approach to the problem of human fatigue. "About two hours after eating, the office worker has a stomach resembling an agile pretzel—sooner after a skimpy breakfast or a light lunch. This causes restlessness, irritability, distractibility. The only cure is to put something into the stomach—something which will allay the hunger contractions of the stomach, not satiate appetite, and at the same time not go into fat."

With the problem of noise, "the fatiguing effects have a wide range, depending largely upon the kind and intensity of the noise. It may be merely an annoyance, or under more severe conditions may have serious long-time consequences on the living organism."

Commenting on developments in control and isolation of noise, a major fatigue-producing factor in offices:

"Although much practical progress has been made in office noise control, I have been feeling that the deterioration of some acoustical installations—as from maintenance procedures followed to preserve adequate light reflection—and the increasing mechanization of office operations result in leaving the control of the factor of noise in office fatigue about where it was ten years ago."

Effects of posture difficulties vary with the individual, but there was reason to anticipate defects among women rather than among men. The forward curvature of the S-shaped spine in the lumbar regions "is peculiarly human,

and so recent in our evolution that it constitutes the weak point in the postural links."

Because women have abdominal and pelvic organs which are larger than those of men "postural defects could naturally be expected to be more frequent and more serious in women workers. A chair back which pushes in at the proper level and keeps the lumbar region curved forward, and at the same time provides a skimpy chair seat which forces the person either to keep against this lumbar rest or fall to the floor, is essential for maintaining healthful posture."

Air conditions are responsible for another group of "fatigue factors." Summarizing the physiological process which acts to keep body temperature uniform, balanced condition of air temperature, motion and humidity are responsible for "the cooling powers of the office air."

"Seasonal variations in the natural cooling conditions of air have long been on record as definitely affecting productivity. Yet most installations of modern air conditioning machinery in offices seem to be prompted largely by greater comfort—and, strangely, or is it so strange, the workers in the general office usually have only the cooling power of air in motion—electric fans—while the balanced and complete air-conditioning equipment is installed first only in the executive offices."

Production records showing the effects of air conditioning are rare but there are "impressive benefits" on record in such factors as illness and lost time.

"The need for complete and continual performance records for us in checking the tangible benefits of various expenditures as a guide to the extension of large scale policies," was emphasized. Also suggested was the establishment of a central laboratory, "not for testing the wearing quality or speed of machines, but for measuring human performance under controlled conditions to determine with considerable accuracy the extent to which fatigue is relieved by the various boons offered the office manager."—"The Office"

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Incomes and rents

One-half of the native white families with both husband and wife in Portland, Oregon, had an annual income of less than \$1,497 during the year 1935-36, U. S. Commissioner of Labor Statistics Lubin reports in "Domestic Commerce." "Families with incomes of less than \$1,000 comprised 29 per cent of the Portland population," Mr. Lubin said. "Forty-two per cent of the families had annual incomes ranging from \$1,000 to \$2,000, while 29.1 per cent had incomes of \$2,000 and over.

"The independent professional group ranked highest in family income, 50 per cent receiving \$2,663 or more during the year. In the non-relief wage-earner group half of the families had an income below \$1,445 and half had an income in excess of this amount. Of the non-relief native white families in Portland the independent professional group accounted for 2.7 per cent of the total, while the wage-earner group comprised 41.2 per cent of the families in the city.

"Portland native white families with husband and wife, excluding families on relief, derived 90.1 per cent of their total income from earnings. All but 6.8 per cent of these earnings were contributed by the principal earner of the family. In 94 per cent of the families receiving less than \$250 per husband. Wives were the principal earners in 3 per cent of these families.

"The range of family incomes is reflected in the average number of weeks during which the principal earners were employed. Principal earners in families receiving less than \$250 per annum averaged 28 weeks of employment during the schedule year. The number of weeks rises consistently until at \$1,750 the principal earners show an average of 51 weeks of employment.

"Approximately one-half of the native white families with husband and wife rented their homes. Home ownership increases with the rise in income. Whereas 38.4 per cent of the non-relief families having incomes under \$1,000 were home owners, 74.4 per cent of those with incomes of \$5,000 or more owned their homes.

"The average monthly rent paid by native white families was \$20.40. For families receiving relief, the average was \$12.20. The amount spent for

Assets must be gauged by the Insurance behind them

CREDIT is based upon ability to pay, which in turn must be based upon value of assets. But sound credit should dig deeper than this . . . down to the bedrock of insurance upon which the stability of the assets is founded. To credit managers the world over, North America Policies stand for dependable insurance. Behind them is the oldest American stock fire and marine insurance company, with a 145-year record for prompt and equitable claim settlement and financial resources to meet its obligations.



Insurance Company of North America

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and its affiliated companies write practically every form of insurance except life

rent varied with occupational groups. Wage earners paid the lowest average rent, \$17.60 per month, while the highest, or \$31.80 per month, was the average for the salaried business group. Measured in terms of the percentage of total income received by families, the amounts spent for rent by non-relief families receiving less than \$500 per year constituted 52.7 per cent of the net current income. The percentage spent for rent by families with incomes above \$500 varied from 29.7 per cent for those with incomes between \$500 and \$750, to 9.5 per cent

for families above \$5,000."

The Urban Study of Consumer Purchases in Portland is part of a Nationwide study of both urban and rural consumer purchases begun in February, 1936, as a W.P.A. project, in cooperation with the National Resources Committee, the Central Statistical Board and the Bureau of Home Economics of the U. S. Department of Agriculture. More than 16,000 families, carefully chosen to represent a cross-section of the entire population of the city, cooperated in the Portland study.

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On offices



Typewriters to "print"

Two new printing typewriters, designed to overcome the use of an equal amount of space for all characters, as in the conventional typewriter, will be placed on the market shortly, the New York Times reports.

International Business Machines Corporation has developed a machine which compensates for the variation in width of characters by spacing accordingly. This probably will be marketed in September. The machine is called a proportional escapement machine, and the type face resembles that of printing.

Joseph SpielVogel, president of the Vogeltype Aligning Paper Corporation of Newark, has developed a machine called the "typeprinter," which is said to produce automatically an even right-hand margin in the first typing. This machine also differentially spaces each letter in the alphabet and its capitals.

In the case of the proportional escapement machine, use of aligning paper to produce an even right-hand margin makes possible production by offset process of publications having the appearance of printing. The typewriter

achieves this without use of the aligning paper. Possibilities involved in the developments include the production of newspapers and other publications entirely from cuts.

Typewriters: "Rebuilt" and "Overhauled"

Frequently we are asked by subscribers and others in the industry for the accepted, specific definition of "rebuilt" and "overhauled" typewriters. Definite standards of requirements for machines within these two classifications were established in 1928 at a trade practice conference of the rebuilt typewriter industry held under the auspices of the Federal Trade Commission in Cleveland, Ohio, and subsequently approved by the commission, "Office Appliances" points out.

In order to correct the loose use of the term "rebuilt," which had been covered in a previous trade practice conference held on February 27, 1920, a second conference, as indicated above, was held at one of the sessions of the third annual convention of the then National Association of Typewriter Dealers in Cleveland, on August 22, 1928.

At this session two resolutions were adopted to define "rebuilt" and "overhauled" typewriters, for the purpose of establishing what constitutes unfair competition in the sale of used machines. The conference was attended by members of the industry who at that time conducted about fifty per cent of the volume of business in this field. E. A. McCulloch, a Federal Trade Commissioner, presided, assisted by M. M. Flannery, director of trade practice conferences.

In addition to covering typewriters, the resolutions adopted at the conference were made applicable to adding machines, duplicating machines, book-keeping machines, and calculating machines.

The following are the resolutions which were adopted by this fair trade conference and approved on October 21, 1928, by the Federal Trade Commission.

"Rule 1. Resolved, that to sell, offer for sale, advertise, invoice, or otherwise describe typewriters, adding machines, duplicating machines, book-keeping machines, or calculating machines, as 'rebuilt,' unless such ma-

chines are rebuilt by having them dismantled, cleaned, completely refinished, with new transfers, completely re-nickeled and assembled, with all imperfect type and defective working parts replaced with perfect type and perfect working parts, and then carefully adjusted and brought to the highest standard of rebuilding, is declared to be an unfair method of competition."

"Rule 2. Resolved, that to sell, offer for sale, advertise, invoice, or otherwise describe typewriters, adding machines, duplicating machines, book-keeping machines, or calculating machines, as 'overhauled,' unless the same are refinished with nickel and japan where needed, reassembled, with all imperfect parts replaced and carefully adjusted, is hereby declared to be an unfair trade practice."

The above action thus placed the rebuilt typewriter business, as well as that of the other designated machines, on a sound basis, with definite standards established by the industry and approved by the Federal Trade Commission.

In the intervening years since their adoption, these standards have not merely been goals to be achieved but have actually become industry practices. By general adherence to them, the trade has materially progressed in establishing itself as a major division of the office equipment industry.

Compensation

Occupational diseases, including silicosis, have been under the Workmen's Compensation Act in Wisconsin since 1919. As a result, Wisconsin is the only State with a long and continuous experience of compensating silicotic disability. During the 17-year period surveyed in a study of Wisconsin's experience, many important questions have been answered by the courts, necessitating amendments to the compensation act. Preliminary statistical data show a heavy concentration of claims during 1933 and 1934, due partly to unemployment and partly to the fact that as a result of subjecting employees to medical examinations many of those with symptoms of silicosis were discharged, although most of them were not disabled.



1937: Credit Interchange Year

Minimum-wage laws in 22 states

Twenty-two States now have minimum-wage laws. An impetus to such legislation was given this year by the United States Supreme Court, when the Court upheld the constitutionality of the minimum-wage law of Washington State. The Court in effect reversed a previous decision declaring the minimum-wage law of the District of Columbia illegal. As a result of the recent decision, several jurisdictions have revived their minimum-wage laws, considered dormant since 1923. Today, in addition to the 22 States, a minimum-wage law is also in effect in Puerto Rico and in the District of Columbia.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF MARCH 3, 1933.

Of CREDIT and FINANCIAL MANAGEMENT, published monthly at Philadelphia, Penna., for October 1, 1937.
STATE OF NEW YORK,
COUNTY OF NEW YORK, ss.

Before me, a Notary Public in and for the State and county aforesaid, personally appeared Richard G. Tobin, who having been duly sworn according to law, deposes and says that he is the Editor and Manager of the CREDIT and FINANCIAL MANAGEMENT, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management, etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor and business managers are: Publishers, National Association of Credit Men, 1 Park Avenue, New York City. Editor, Richard G. Tobin, 1 Park Avenue, New York City. Managing Editor and Associate Editor, Paul Haase, 1 Park Avenue, New York City. Business Manager, Richard G. Tobin, 1 Park Avenue, New York City.

2. That the owner is: National Association of Credit Men, a non-stock corporation with the following officers: Paul Fielden, The Norton Company, Worcester, Mass., president; L. J. Bradford, Lunkenheimer Co., Cincinnati, Ohio, vice-president; H. S. Collingsworth, Gramling and Collingsworth, Atlanta, Ga., vice-president; D. I. Bosschart, Eng-Skell Co., San Francisco, Cal., vice-president; Henry H. Heimann, New York, N. Y., executive manager and secretary and treasurer; W. S. Swingle, assistant treasurer.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company, but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

RICHARD G. TOBIN, Editor.

Sworn to and subscribed before me this 16th day of September, 1937.

(Seal) RUTH E. HOCTOR,
Notary Public, Kings County
Clerk's No. 124, Reg. No. 6119
Certificate filed in New York County,
N. Y. Clerk's No. 128, Reg. No. 6-H-74
My commission expires March 30, 1938

What your Secretary says about you



"I wish my boss could see himself as I see him. Routine's getting him down. He's so busy doing unimportant 'musts' that he hasn't much time for the really important 'maybes' that mean extra business. He doesn't get away from the office as much as he should—and that means he's often fagged instead of fresh..."

"Ann's boss is different. She and her boss use modern Ediphone Voice Writing. She isn't running into his office every second the way I do. She doesn't have to sit around twiddling her thumbs while her boss talks on the phone. Here's how they do it..."

"He tells his Ediphone everything—the minute he thinks about it. Orders theatre tickets...sets a golf date...answers letters...issues all instructions right into the receiver of his Ediphone...just as easy as using the telephone. She doesn't have to be there every second, so naturally she has more time to see that his work gets done. And if he feels like working through at night

till it's time to take a sleeper to wherever he's going, she doesn't have to be there. He can let the Ediphone tell her the next morning. An Ediphone would make my boss's job and my job easier...give him a chance to see those important customers. It would give him time to be a real executive and me to be a real assistant."

An Ediphone permits you to handle instructions, memos, inquiries, letters, reminder-dates, the minute you think about them...increases your personal business capacity 20% to 50%. For every activity where "your voice points the way," use an Ediphone. Investigate! For details telephone the Ediphone, your city, or write Dept. C38, Thomas A. Edison, Inc., West Orange, New Jersey.

VOICE-WRITE WITH THE
Ediphone

The Edison Invention for Business

PREFERENCE FOR EDIPHONE PERSISTS

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Insurance digest



What is insurance?

Notwithstanding the study given to laws governing insurance and their revision, the statutes of very few states contain a definition of the word "insurance," an editorial in the New York Journal of Commerce points out.

As a result, it is not always easy to determine whether certain transactions within a State constitute doing an insurance business, and so become subject to State supervision.

Attorneys General have spent much time preparing opinions on cases submitted to them. Courts have given decisions which have added to the confusion rather than cleared it up, as they sometimes turned on the peculiar wording of a statute or an old definition which should be modified in the light of modern practice.

In one State a corporation, not organized as an insurance company, was held to violate the law when it agreed, for a stipulated annual payment, to replace plate glass which might be broken, as such an agreement consti-

tuted insurance. In another State an individual glazier who made similar agreements was held not to be engaged in insurance because he had not agreed to pay money as indemnity for a loss and was held not to have violated the law as he was an individual and the State insurance law concerned itself with corporations doing an insurance business.

Insurance is essentially an agreement, for a consideration, to make good a loss resulting from the happening of an event which may or may not occur or one which is certain to occur but the time of whose occurrence is uncertain. Whether the insurer agrees to make good the loss by payment of money or by performance of a service is immaterial. Fire insurance companies usually pay money but not infrequently avail themselves of their privilege to repair the damage. Plate glass insurance companies scarcely ever pay a loss in cash but replace the broken glass.

A clearly drawn statutory definition, broad enough to include contracts to perform a service as well as those to pay money in event of the happening of a specified contingency, would clear away doubt as to the nature of borderland agreements, such as those to tow a disabled car to a garage, to repair an automobile damaged in collision, or even furnish a funeral upon the death of the "assured." In the realm of these and similar service contracts, not under any supervision, the public often has been victimized.

Surety companies' qualifying powers

The United States Treasury Department has issued its semi-annual list of surety companies approved to execute bonds running to the Government, together with the limit of liability which each company may retain under any one bond. The limits, based upon capital and surplus December 31, 1936, are generally higher than those published in the circular issued last fall. The list is as follows; States being those in which the companies are incorporated:

Companies

California

	Net Limit on one bond
Associated Indemnity.....	\$189,000

Fireman's Fund Indemnity.....	359,000
National Automobile	48,000
Occidental Indemnity.....	207,000
Pacific Indemnity	451,000

Connecticut

Aetna Casualty & Surety.....	1,845,000
Century Indemnity.....	280,000
Hartford Accident & Indemnity..	1,700,000

Delaware

Mellbank Surety, Pittsburgh....	1,125,000
Saint Paul-Mercury Indemnity..	274,000

Illinois

American Motorists	167,000
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Indiana

Continental Casualty, Chicago...	565,000
Inland Bonding.....	50,000

Kansas

Kansas Bankers Surety.....	50,000
Western Casualty & Surety.....	106,000

Maryland

American Bonding.....	165,000
Fidelity & Deposit.....	810,000
Maryland Casualty	1,007,000
U. S. Fidelity & Casualty.....	1,083,000

Massachusetts

American Employers	407,000
Massachusetts Bonding & Ins...	614,000

Michigan

National Casualty.....	150,000
Standard Accident	441,000

Missouri

Central Surety & Ins.....	208,000
Employers Reinsurance.....	495,000

New Hampshire

Peerless Casualty	51,000
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New Jersey

Bankers Indemnity.....	227,000
Commercial Casualty.....	167,000
Excess Ins., New York.....	126,000
International Fidelity.....	185,000

New York

American Re-insurance	712,000
American Surety.....	1,350,000
Columbia Casualty.....	374,000
Eagle Indemnity.....	285,000
Fidelity & Casualty.....	1,658,000
General Reinsurance.....	765,000
Glens Falls Indemnity.....	415,000
Globe Indemnity	750,000
Gt. American Indemnity.....	482,000
Home Indemnity	319,000
London & Lancashire Indemnity, Hartford	185,000
Merchants Indemnity	161,000
Metropolitan Casualty, Newark.	376,000
National Surety	878,000
New Amsterdam Casualty, Baltimore	698,000
New York Casualty.....	188,000
Preferred Accident	449,000
Royal Indemnity	824,000
Seaboard Surety	267,000
Standard Surety & Casualty....	239,000
Sun Indemnity	244,000
United States Casualty	341,000
United States Guarantee	801,000
Yorkshire Indemnity	162,000

Ohio

Ohio Casualty 130,000

Pennsylvania

Eureka Casualty 98,000
Indemnity Ins. of N. A. 667,000

South Dakota

Western Surety 80,000

Texas

American General 100,000
American Indemnity 179,000
Commercial Standard 81,000
Employers Casualty 59,000
Texas Indemnity 30,000
Trinity Universal 223,000

Virginia

Virginia Surety, Roanoke 28,000

Washington

General Casualty 162,000
United Pacific 95,000

Bankruptcy

QUESTION: A manufacturing plant became bankrupt and passed into receivership. The insurance agent notified the receiver in bankruptcy that all policies should be rewritten or endorsed in his favor. Is this correct?

ANSWER: The New York standard fire policy provides that if any change other than the death of an insured takes place in the interest, title or possession of the property, the entire policy shall be void. Where a receiver has actually taken possession of the insured property this change of interest would void the policy. However, if the receiver has merely been appointed (and has not taken possession of the property) the policy will remain in effect. When the receiver does take possession of the property each policy should be endorsed in the receiver's favor, or an assignment should be procured from the insured to the receiver with the written consent of the insurance company through its agent.

U. and O.

QUESTION: In respect to what other hazards besides fire may Use and Occupancy insurance be written?

ANSWER: Use and Occupancy may be carried in respect to any insurable hazard which can physically damage the property housing the insured's business.

—“Fireman's Fund Record.”



1937: Credit Interchange Year

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Both Honest Now...

YET ONE MAY BETRAY HIS TRUST

AMERICAN business pays a terrific toll—more than \$200,000,000 every year—because the rank and file of employers fail to understand this all-important fact about the threat of embezzlement: *Embezzlers are not criminal types; you cannot identify them by their past record or present appearance.*

The vast majority of both men and women are normally honest. But analysis of 1,001 actual cases of embezzlement shows that dishonesty springs from among tried and trusted employees—who have weakened under the pressure of personal emergencies, “borrowed” from their employers, found themselves unable to repay, then continued to take more.

Business is keenly conscious of its losses from fire, because fire is spectacular, dramatic; but the brutal truth is that employee dishonesty actually causes more loss to American business than fire.

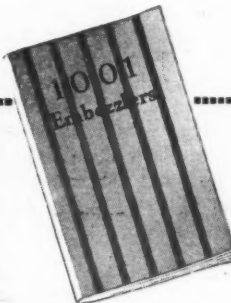
What can Employers do about it?

We suggest two things: First, mail the coupon below for our new book, “1,001 Embezzlers”—revealing why, when and how employees turn dishonest—facts which have never been compiled and disclosed before. Second, ask your insurance agent or broker to show you our new, simplified Fidelity Bond forms. Clear, concise, free from technical terms, they are today's most effective instruments of protection against employee dishonesty.

Consult your Agent or Broker as you would your Doctor or Lawyer

UNITED STATES FIDELITY AND GUARANTY COMPANY

WITH WHICH IS AFFILIATED
Fidelity & Guaranty Fire Corporation
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UNITED STATES FIDELITY & GUARANTY COMPANY
Baltimore, Maryland

Please send me a free copy of your new book, “1,001 Embezzlers”

Name

Street Address

City & State



Court decisions



Note: The first decisions of the Federal Trade Commission construing and applying the Robinson-Patman Act were handed down on July 17, 1937, thirteen months after the enactment of the law.

ROBINSON-PATMAN ACT—DISCRIMINATION IN PRICE—DIFFERENCE IN PRICE TO MAIL ORDER HOUSES AND OTHER RETAILERS—DIFFERENCES IN COST OF SELLING—SELECTION OF CUSTOMERS. *In re Bird & Son, Inc., Bird Floor Covering Sales Corporation, Montgomery Ward & Co., Inc. Opinion of Federal Trade Commission on dismissal of complaint. July 17, 1937.*

Section 2(a) of the Robinson-Patman Act makes it unlawful for any person engaged in commerce to discriminate in price between different purchasers of commodities of like grade and quantity, where the effect of such discrimination may be substantially to lessen competition or prevent competition with any person who either grants or receives the benefit of such discrimination or with customers of either of them, provided, however (among other things), that nothing contained in the Act shall prevent differentials which make due allowance for differences in the cost of manufacture and sale and also that nothing in the Act shall prevent persons engaged in commerce from selecting their own customers in bona fide transactions and not in restraint of trade.

Bird & Son, Inc., and Bird Floor Covering Sales Corporation made sales to Mont-

gomery Ward & Co., Inc., and other mail order houses at lower prices than charged retail dealers. Between the passage of the Robinson-Patman Act on June 19, 1936, and the issuance of the complaint on September 30, 1936, the prices charged by the manufacturers to retail competitors of the mail order houses were 14 to 18% higher than those charged to the mail order houses. However, at the time of the passage of the Act only about 1% of all sales was made by the manufacturers to ordinary retailers direct, which was the outcome of a change in sales policy inaugurated about one and one-half years before the Act was passed. By the end of October, 1936, no goods were being sold direct to retailers.

With reference to the discrimination which existed from June to October, 1936, it was shown that the cost of selling direct to mail order houses was 18% as against a cost of selling direct to ordinary retailers of 47%. Thus, costs differed by over 28% while the difference in price was less than 20%. The amount of discrimination was therefore justified under the proviso for due allowance for differences in the cost of manufacture, sale or delivery.

The present sales policy of the sellers was not one of discrimination in price between or among the only two classes of customers they chose to sell. The Act does not purport to interfere with the right of a seller to select his customers. He may discriminate in the choice of his customers. Not until there is a discrimination in price among those chosen does Section 2(a) of the Act have any application. The price discrimination alleged was found only during a four-month period of transition from a policy of selling ordinary retailers direct to one of supplying them through sales made to jobbers and any price discrimination during that period was incidental to that transition and involved a negligible amount of the manufacturers' business. The complaint against both manufacturers and the mail order house was accordingly dismissed.

ROBINSON-PATMAN ACT—DISCRIMINATION IN PRICE—LOWER PRICE TO LARGEST CUSTOMER. *In re Hollywood Hat Company, Inc. Opinion of Federal Trade Commission on granting of complaint and issuance of cease and desist order. July 17, 1937.*

The respondent is engaged in selling women's hats almost wholly to jobbers and syndicate purchasers representing retailers. Its largest customer is a syndicate maintaining in excess of 200 millinery departments in stores located throughout the United States, many of said departments being competitive with other customers of Hollywood Hat Company, Inc. During the felt hat buying season commencing about July 1, 1936, and extending through the fall of 1936, the Hollywood Hat Company, Inc., sold to its largest customer suede hats at \$21.00 per dozen. Similarly assorted velours were sold to the largest customer at \$36.00 per dozen. Competitors of the largest customer who bought in smaller volume were sold suede hats at prices of \$24.00 or \$27.00 per dozen and

velour hats at \$39.00 or \$42.00 per dozen.

The Commission decided that the price discriminations were not justified by reason of differences in the cost of manufacture, sale or delivery resulting from the differing methods or quantities in which such commodities were sold nor justified by any other exception contained in Section 2 of the Robinson-Patman Act and that the effect of such discrimination may be to injure, destroy or prevent competition. It therefore ordered the respondent to cease and desist from the unlawful discriminations in price referred to.

ROBINSON-PATMAN ACT—DISCRIMINATION IN PRICE—QUANTITY DISCOUNTS AND VOLUME DISCOUNTS—DIFFERENCES IN COST OF DELIVERY—DEFINITION OF "PURCHASER" WITHIN THE ACT. *In re Kraft-Phenix Cheese Corporation, No. 2935. Opinion of Federal Trade Commission on dismissal of complaint. July 17, 1937.*

The respondent manufactures and distributes on a nation-wide scale a line of processed cheese, package cheese and salad dressing. The respondent ships its products across State lines from factories to warehouses and the products are usually distributed from warehouses to retailers by truck, by sales subsidiaries or independently owned jobbers and wholesalers. The distribution from the warehouses to retailers is usually within the borders of one state.

The Commission held that in making sales to retailers, the respondent is engaged in interstate commerce and its products move in the current of such commerce. The evidence shows that the respondent exercises a control over the distributing channels through which its products move. This control is made effective until such products come into the hands of the retailer where the control ends. The passing of the naked legal title to the goods from respondent to a jobber in the course of this flow of commerce before the products reach their ultimate destination, the retailer, is not determinative of the question as to where the flow stops. In fact, in this case the current of commerce in respondent's products terminates only when the merchandise reaches the retailer.

A retailer who purchases respondent's goods from jobbers and wholesalers is considered by the Commission to be a "purchaser" within the meaning of the Robinson-Patman Act as well as retailers buying direct. This is because of the fact that the respondent recognizes the retailers buying through jobbers as its customers, by personally soliciting them and by making effective its price policies and schedules as applying to them. A retailer is none the less a purchaser because he buys indirectly if, as here, the manufacturer deals with him directly in promoting the sale of his products and exercises control over the terms upon which he buys.

The evidence further shows that the respondent gives a 5% discount upon package cheese and cheese products other than loaf cheese to retailers who buy more than \$5.00 worth in a single purchase and to group

buyers who buy more than \$100.00 worth in a single week and who are billed jointly. The same discounts are available upon the same conditions to retailers who buy salad products. Buyers of loaf cheese receive a discount of 1 cent for purchases of from 30 to 149 pounds, an additional cent for purchases of 150 to 749 pounds and an additional one-half cent for purchases of 750 pounds or over. The evidence indicated that the use of discounts similar to those used by the respondent is prevalent in the industry and that the respondent's products are sold to the retailer at prices which in most cases exceed those of its competitors.

The Commission held that while the respondent sells a very considerable proportion of cheese and salad dressings sold in the United States, there is no reason to infer that the system of discounts set up by the respondent are used to deprive competitors of business or to promote monopoly, nor to effect a lessening of competition between respondent and its competitors or to injure such competition. The Commission further held that the system of discounts did not injure competition between retailers to whom discounts are allowed and retailers who do not obtain them.

The Commission pointed out that the respondent maintains a system of truck delivery designed to insure the freshness of the product when delivered and that this system of delivery is expensive, its cost averaging about 13 or 14% of the gross value of sales so made. The evidence showed that the respondent's ability to use its delivery system without loss depended upon the size of the average sale and that the discounts were intended to make sales large enough to justify such a method of delivery. The evidence further showed that the freshness and uniformity of the cheese and salad products had been the cause of considerable increase in the use thereof and the Commission held that to encourage the purchase of package cheese and salad dressings in quantities sufficient to make this system of distribution economically possible is a reasonable policy in the promotion of competition.

The Commission also concluded that the discounts do not appear to inflict any perceptible injury upon those who do not receive them. Concerns which do not receive a discount are among those with the lowest retail prices and those which do receive a discount are among those of the highest. The retail price depends so much upon the character of the store, the buying power of its customers, the importance of its cheese trade and the nearness of other competing stores that there is no basis for concluding that the price of these products is governed by the receipt of the discount. Diversion of trade, which is one of the elements of injury to competition can only be attributed to price differentials if such differentials exercise a perceptible influence on retail prices.

There is no evidence of injury to competition by impairment of the profits of competitors. The effect of failure to receive the discount is not the necessity of selling at a loss but at most the receipt of a some-

what smaller profit but even this effect is negligible. The remote and minute effects on the income of certain competitors cannot be regarded as injurious to competition within the meaning of the statute.

ROBINSON-PATMAN ACT—PAYMENT AND RECEIPT OF COMMISSION OR BROKERAGE—PAYMENT OVER TO BUYERS BY PURCHASING AGENT OF BROKERAGE FEES RECEIVED FROM SELLERS—DISCOUNTS IN PRICE DISGUISED AS BROKERAGE PAYMENTS. *In re Biddle Purchasing Company et al. No. 3032. Opinion of Federal Trade Commission on granting of complaint and issuance of cease and desist order. July 17, 1937.*

Section 2(c) of the Robinson-Patman Act provides that it shall be unlawful for any person engaged in commerce to pay or receive a commission, brokerage or discount in lieu thereof, to the other party to the transaction or his agent. The statute permits the payment of compensation by a seller or by a buyer to a broker for services actually rendered, but it prohibits the payment of brokerage by either buyer or seller to the other party to the transaction or to the latter's agent.

The Biddle Purchasing Company is engaged in the business of selling a market information service and also as a purchasing agent for distributing concerns. Through its buying operations, it handles the goods upon which it reports to subscribers under a contract for the sale of market information service with a privilege extended to the subscribers of using the company's purchasing service at their option. A monthly fee stipulated in the contract is paid for the market information service. When a subscriber forwards an order to Biddle, usually at a specified price, Biddle transfers the order to seller and the seller ships the products direct to the buyer, in most cases at the prices specified in the order. The buyer in most cases makes payment direct to the seller; the seller then sends Biddle a commission or brokerage on the transaction and Biddle pays a commission to the buyer or credits it to his account. All of the sellers at the time of payment of brokerage fees to Biddle had knowledge of the fact that the latter paid such fees to the buyers. Biddle receives and accepts these brokerage fees for the use and benefit of its subscribers. It does not claim any right, title or interest therein. The buyers receive and accept these fees from Biddle and know they are to receive them at the time they place their orders. The Biddle buyers, by reason thereof, get a lower price on commodities purchased through Biddle than other buyers who are not members of the Biddle organization who buy direct from the sellers. In all the purchasing transactions, Biddle is the agent and representative of the buyer and is subject to his control. It is neither the agent nor the representative of the seller nor under its control.

The Commission held that all the payments of brokerage fees as hereinabove set forth are made as a part of a general plan or scheme which enables the buyers to secure discounts under the guise of brokerage

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payments. The Commission concluded that the sellers had violated Section 2(c) of the Robinson-Patman Act by paying fees and commissions as brokerage to Biddle with knowledge of the fact that such fees were intended to be paid over to the buyers. The Commission also held that the buyers had violated the Act by accepting such fees and that Biddle had violated the Act by transmitting the same. All parties were therefore ordered to cease and desist from the practice and within 90 days after service on them of the Commission's order, to file with the Commission a report in writing setting forth in detail the manner and form in which they complied with the order.

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Bosschart Is Chairman of '38 Convention

National Vice-President to Direct NACM Meet Next June

National Vice-President D. I. Bosschart has been appointed by President Early of the San Francisco Association as General Convention Chairman for the 43rd Annual Convention. With his executive experience as head of his own firm, The Eng-Skell Company, his frequent attendance at our National Meetings, and his constant interest in Association activities, "Dan" Bosschart is ideally equipped for this appointment.

The dates of the 43rd Annual Convention and the 8th Credit Congress of Industry will be the week of June 5th through 10th, 1938. San Francisco with the active cooperation of all our Western Division Associations will be our hosts.

Convention headquarters will be the St. Francis Hotel. Other official convention hotels in the near proximity to convention headquarters will be the Sir Francis Drake, The Clift, The Plaza, The Stewart, The Franciscan and the Palace. In these several hotels will be found accommodations for delegates and guests of any type and in almost any price range desired. Western Division Manager, O. S. Dibbern, will be in charge of Conventional Hotel matters.

In his letter advising us of Chairman Bosschart's appointment, President Early says, "We already have had several group meetings regarding the general plan for the Convention, particularly with the Zebra Boys. We meet every two weeks for lunch so you can see we have a good medium through which to build up Convention ideas."

Mark your calendar now for the week of June 5th through 10th 1938, San Francisco.

"California Here We Come Again! ! !

Central and Eastern Association Executives Meet at Pittsburgh

Pittsburgh.—The annual session of the Secretary-Managers' Conference of the Central and Eastern Division was held here on September 27, 28 and 29. A complete program of subjects touching Association activities was covered during the three day session. Among the subjects discussed were: National Program and Plans; General Association Activities, including Membership and Sales Promotion and Local Association Organizations; Adjustment Bureaus; Collection Activities;

Credit Interchange. The program was so arranged that the third day of the meeting was left open to discuss new problems brought in by Association Secretaries. Executive Manager Henry H. Heimann, Assistant Executive Manager David A. Weir, Promotion Manager Brace Bennett, Washing Bureau Manager C. F. Baldwin, Western Division Manager E. B. Moran were among those from the National staff in attendance at this meeting.

Grand Rapids Will Honor Twenty-Six Past Presidents

Grand Rapids.—The Service Bulletin of the Grand Rapids Association of Credit in its September 2nd issue lists the names of thirty-five past presidents of this organization. Of this number twenty-six are now alive. The Association was started in 1901, and after the first two years the tradition has established one year as the presidential term. President Fred E. Olson, the present incumbent, is planning a special session of the Grand Rapids Association at a nearby date as a special honor for all of the past presidents.

Ladies Are Special Guests at Outing of Richmond Credit men

Richmond.—The annual Fall outing and ladies night of the Richmond Association of Credit Men was held at the Hermitage Country Club, on Thursday evening, September 23rd. It was the first Fall meeting of the Richmond Association and drew a large attendance of credit executives, their wives and family. Golf was the order for the program for the afternoon with special entertainment and dancing following a dinner at 6:30.

Birthday Gift to H. H. H.

Several of the Associations accepted the invitation of Central Division Manager Ed Moran, of Chicago, to present as a birthday present to Executive Manager Henry H. Heimann an imposing number of new memberships on the occasion of Mr. Heimann's birthday, on September 26th. The effort for new members started on September 15th, and the roster of new members obtained during this short period was relayed to Niles, Mich., where it was presented to the Executive Manager as a very acceptable birthday remembrance.

This special effort by some of the Associations brought some 200 new members and is a start toward a year's campaign, which has as its object at least 1500 new members before the Association year closes.

Quakers Start Season

Philadelphia.—The first Fall meeting of the Credit Men's Association of Eastern Pennsylvania, was held at the Poor Richard Club, on Thursday evening, September 23rd. Charles Grakelow and Powers Gouraud were the after dinner speakers. An interesting program of games followed the dinner session.

Syracuse Has Big Plans for Tri-State Meet

Excellent Program Arranged for Oct. 29th and 30th

Syracuse.—Syracuse is making great plans for the Tri-State Conference to be held on October 29th and 30th. Judging from the preliminary reports from other Associations in New York State, New Jersey and Eastern Pennsylvania, it is expected that this will draw the largest attendance of any Tri-State gathering in recent years.

The delegates are expected to assemble on Thursday night, October 28th, for a free conference party, which is being arranged by the Syracuse Association. On Friday, the conference will start its two day session at 10:30. During the noon adjournment there will be a general conference luncheon of bankers and also a luncheon of those interested in Foreign Credit Interchange work. There will also be a luncheon of Food Products Credit Executives.

The afternoon session will again take up interesting discussions of various business problems. In the evening the annual banquet of the Tri-State Conference will be held.

On Saturday morning a further business session and discussion will adjourn in time for the delegates to attend the annual football game between Penn State and Syracuse University at Archbold Stadium at 2:30. The registration to the conference included tickets to the football game.

Shown on this page is a group of members of the Syracuse Association in charge of promoting the October 29th-30th Conference Meeting.

The Syracuse members in charge of the Tri-State Conference are:

Honorary Chairman, R. B. Roantree; General Chairman, F. A. Kreuzer; Vice-Chairman, (Continued on page 33)

Pages from the DIARY of the Executive Manager Entered on His Recent Coast Trip

My Western trip started with a stop at Spokane. As usual they had a nice turnout and I was particularly happy to see Jimmy Meikle looking so well.

Seattle was my next stop. The evening meeting at Seattle was well attended and the interest in Credit Association work in this city is exceptionally strong. Cleo King and the splendid Board of Directors and Officers are doing a good job. I had a nice visit with the officers and old friends. One afternoon we slipped away and enjoyed a game of golf. Speaking of golf I guess the National Office doesn't rate very high. I teamed up with Cleo King and as opponents we had our Past National Vice-President, Will Gruger, and Mr. Bush. Our Past National Vice-President is a southpaw but he knows his golf. Cleo King and I were hopelessly down and about to lose our shirts when we hit upon the plan of playing double or nothing on the last hole. I got the only birdie of the day, so we were saved.

I had a nice friendly visit in Tacoma. Missed Ed Lung, who is traveling in Europe. After the luncheon meeting I was shown the surrounding territory and it was a most enjoyable drive.

Don Ross and Ed Johnson met me at Portland. Past National President Don is just as interested in Association work today as when he was at the helm. Portland's very competent Executive Manager Johnson is still balancing his budget. If he were in charge of the United States Treasury we would have no problem. Bill Layton and wife Anne threw open their summer home to me. After addressing a meeting in Portland at noon, we drove out to Bill's summer home. It is located in the mountains. Both Bill and his wife were busy arranging for their daughter's marriage. You would understand they had a daughter of marriageable age if you looked at Bill but you could hardly believe it possible Mrs. Layton had a grown daughter. The Portland Board Meeting was held at the Layton cottage. The Layton hospitality was up to par. Unless you have enjoyed it you don't know real hospitality.

Before the Board Meeting a game of golf was suggested. We started out in the early morn-

ing and Bill and I teamed up. Bill's son happened to be my caddy and wondered whether I had ever played before. Of course Bill and I were hopelessly down. Again I decided strategy to be the better part of valor. We played double or nothing on the 18th hole. My third shot was 18 inches from the cup in good position for a birdie. But I didn't need a birdie. A par would do the trick and did.

In the thirty days on the West Coast I got in four games of golf. Two I have mentioned. The other two I will skip. There is no use advertising the fact when you get a sound trouncing. I certainly was trounced in Spokane and Salt Lake.

Ed Johnson, Cleo King and myself took the same train from Portland to San Francisco. The Managers had a splendid meeting in San Francisco. The Western group took considerable pains in building up a nice program and it proved very well worth-while. Addressed a nice meeting in San Francisco at noon and attended the Board of Directors' Meeting at night. There is dignity about a San Francisco Association Board Meeting. Dinner clothes are the order and everything is conducted in a businesslike way. I am always glad to see all of my San Francisco friends and it is particularly pleasing to go back there year after year and find Past Presidents Elkus and Rock still on the job working hard as ever for the Association.

The next noon I spoke at Oakland. They had a nice meeting. Between times when I wasn't speaking or attending a meeting I put in my time at the Managers' Conference and going over Convention matters with the San Francisco people and Mr. Bennett. Brace had come to San Francisco to make arrangements for next year's Convention. Also I went out to see Owen Dibbern's new site for a home. Six acres of ground, nice plans, three fine boys—Owen is a millionaire.

At this point I might as well tell you about the San Francisco drivers. First, our National Vice-President Dan Bosschart started to take me over the Bay Bridge. He was to drive me to Sacramento, where I was to address the Credit As-

sociation. Dan is a careful driver but it took him three attempts to get to the Bridge. The first time he missed it by nine blocks, the second time by two blocks. Finally he got squared away. I had a delightful visit with Dan. I spoke to a nice meeting at Sacramento. Here Dan and Mrs. Bosschart left us and returned to San Francisco.

From Sacramento Otis Walker and Mrs. Walker drove me to Fresno. Owen Dibbern and Vane Chase were to follow us. Otis suggested that they keep on our heels because it was rather difficult to find your way out of Sacramento. We rolled along for about 16 miles when suddenly Otis stopped the car. Owen Dibbern stopped right behind us. It was then that Otis got out and said he was sorry but he had taken us on the wrong road, so we had to go back and retrace our steps.

Several days later Owen Dibbern, who drives a famous "jalopy," which is a sort of cross between a Metz and a wheelbarrow, but commonly called a Cadillac of the vintage of 1876, missed the direct route to Los Angeles. Incidentally, the famed "jalopy" at that passed everything on the road but the filling stations. Naturally, I am wondering whether these coast folks tried to give me a ride or what happened. At any rate I know of no group I would rather get off the road with. Fine folks, all of them.

The Fresno meeting was splendid. The drive from Fresno to Los Angeles was through the hot country.

At Los Angeles I had a meeting with the committee chairman and Directors and past and present officers. It was a nice meeting and again I had the pleasure of renewing acquaintanceship with old friends. During the day I stopped out to see a new credit man, the budding baby son of Ralph Meyer.

From Los Angeles we went to San Diego. Here I had one of the largest meetings of the entire trip. Also a very delightful dinner with Larry Holzman and bride and National Director Sybert and wife. They arranged the dinner at Caliente. Things are really moving in an Association way in San Diego.

From San Diego I journeyed to Phoenix. Mr. Dibbern was

with me and on getting to Los Angeles we missed the train by ten minutes. Undaunted, we jumped into a cab and beat it to Alhambra, though I confess a wire request held the train at Alhambra a few minutes. It was the last train for Phoenix and it was fortunate we made it. For a time I thought we would lose our Western Division Manager as the cab went careening around the corners. I found Phoenix's interest very encouraging. Willis and his Board are doing a good job. The meeting was well attended.

From Phoenix I journeyed to El Paso, where I addressed an interesting noon meeting. Prior to the noon meeting I met with the Board of Directors. El Paso is getting along nicely. Was the guest of our very fine member, Ed Krohn, at El Paso. He arranged with the Chamber of Commerce to have me meet some business people in Carlsbad and a Mr. Bloodworth drove me over and I had time enough to get a glimpse of the caverns.

From El Paso to Albuquerque and Santa Fe. This was the Labor Day period and fully 15 El Paso people joined the caravan and we had a very unique meeting in Santa Fe. Prior to that I had a meeting of the Board in Albuquerque. Glad to see all the splendid members in Albuquerque and refreshing to know their keen interest in our work.

In Santa Fe, through the courtesy of the Santa Fe Builders Supply Company, we were given a buffet dinner, the like of which I have never witnessed elsewhere. The finest Metropolitan hotel could not have done as well. Thank you, Mr. and Mrs. Proebstel, and also thanks to Miss Annie Porter. The next morning a drive of all visiting delegates to the cliff dwellings. At luncheon a meeting of more business people and an address. This took place in the Bishop's Lodge some eight miles outside of Santa Fe. Santa Fe is a most alluring city. Real people are found there. A delightful stop.

Next, it was Denver. Met with the Board for a fine meeting and addressed a meeting at night. After the evening meeting discovered Manager McKelvy's weakness. He has as fine a collection of stamps as I have ever seen. Jim knows his

(Continued on page 53)

October Marks Busy Month on NACM Efforts

Escanaba, Sept. 24.—An enthusiastic group of credit executives totaling some 200 attended the annual Northern Wisconsin Upper Michigan District Credit Conference at the Delta Hotel. Executive Manager Heimann was a featured speaker along with U. S. Senator Prentiss M. Brown; B. V. Moore, Vice-President, First National Bank and Trust Company, Minneapolis; George N. Harder, of Wells, Michigan; Walter Gries, of Marquette, and E. A. Paulus, Arthur P. Schmidt, John Gruber and Don Graham, of Milwaukee.

Pittsburgh, Sept. 28.—Executive Manager Henry H. Heimann was the featured speaker before the Credo Luncheon of the Credit Association of Western Pennsylvania at the Mayfair Hotel this noon.

Chicago. — Meetings of the National Development Program Committee of the National Association of Credit Men and of local Presidents of Central Division Associations of the National Association of Credit Men were held in the Palmer House here on October 1st and 2nd, respectively. Association matters of local and national importance were subjected to critical analysis and future plans were developed.

During this month of October, Executive Manager Heimann's schedule calls for addresses before local or district conference meetings at the following points: Milwaukee, St. Paul, Duluth, Grand Forks, Fargo, Sioux City, Omaha, St. Joseph, Kansas City, Burlington, Dayton, Cleveland, Akron, Pittsburgh and Syracuse.

On October 19th in Chicago Mr. Heimann will address the combined meetings of the American Hardware Manufacturers Association and the National Wholesale Hardware Association at the Palmer House. In November he will again speak at that hotel before the American Finance Conference.

Credit Career



We present this month Mr. R. B. Gutsch, General Manager, The Gregory Ink Company, Los Angeles, Calif., who holds the distinction of being the first to receive a certificate in credit management from the University of Southern California.

Mr. Gutsch started his business career with the First & Old Detroit National Bank, Detroit, Mich. Several years ago he went to Los Angeles to become Secretary of the Builders Hardware Mfg. Co. Later he transferred to the Baby Line Furniture Mfg. Co. and also the Automatic Tension Screen Co., two companies operated by the same group of stockholders. He was made General Manager of the Gregory Ink Co. of Los Angeles in 1936. In all he has spent about twenty years in various phases of credit work, including Bank, Retail, Wholesale and in both Foreign and Domestic credit. He is now

Chairman of the Board of Governors of the Los Angeles Chapter, National Institute of Credit, and has been the holder of a Senior Certificate of the National Institute of Credit since 1933.

Mr. Gutsch began his courses at the University of Southern California during the time that J. Harry Tregoe was a member of the U. of S. C. faculty.

It is interesting to note that the certificate granted by the University of Southern California represents approximately seven years of continued study on the part of Mr. Gutsch. The curriculum in his course of study at the U. of S. C. follows: Accounting, Money and Banking, Corporation Finance, Business Forecasting, Credit and Collections, Advanced Credit and Collections, Credit Management, Credit and Collection Correspondence, Fire & Property Insurance, Business Law, Economics, Applied Economics, Business Correspondence, Business Statistics, Introduction to Merchandising, Principles of Advertising, Economics of Marketing and Adv., Sales Management, Retail Credits and Collections, Sales Promotion, and Foreign Trade.

This course of study represented sixty quarter-units, which at the rate of taking three quarter-units of work per quarter, means that only nine quarter-units per year were credited and this accounts for the fact that it took Mr. Gutsch seven years to complete the course and obtain the certificate which is supposed to be the first one ever granted by an American University for this kind of work.

Vane Chase Is Now Open To Offers as Radio "Guest Star"

Los Angeles.—The Foreign and Domestic Commerce Bureau of the Chamber of Commerce of Los Angeles in cooperation with the Los Angeles Credit Men's Association presented a program over Station KRKD on Thursday noon, September 2nd. The broadcast was under the title "Credit Yesterday, Today and Tomorrow." It was presented in the way of an interview between J. Edgar Dick, Commercial Agent of the Commerce Bureau and S. P. Chase, Secretary of LACMA.

San Antonio Secretary Is Honored by Federal Job in Puerto Rico

San Antonio.—Henry H. Hirshberg, for some time Secretary of the San Antonio Association of Credit Men, has accepted appointment as Chief Counsel for the Puerto Rico Reconstruction Administration. This will necessitate the resignation of Mr. Hirshberg from his connection with the San Antonio Association and will entail his moving to San Antonio during November or December. The best wishes of a large group of friends in the Texas area will go with Mr. Hirshberg in his new position.

Congressmen Should Know Your Opinions

Here is a report from Fred G. Broucek, Wolverine Brass Company, Grand Rapids, who is chairman of the legislative committee of the Grand Rapids Association of Credit Men, which is offered as an excellent example of how it is possible to present the credit man's view on Federal legislation effectively. Promptly upon receipt of the recent bulletin from the Washington Bureau relative to the Chandler Bill, Chairman Broucek wrote to Congressman Carl E. Mapes, representing the Grand Rapids area in Congress, calling his attention to the Chandler Bill and also to the Sabbath Bill, and pointing out that the National Association of Credit Men favored the Chandler Bill but was opposed to the Sabbath Bill.

Chairman Broucek received word from Congressman Mapes indicating that the latter had made a thorough investigation of the situation about the two Bills, and that he was using his influence to back the Chandler Bill and expressing the opinion that he did not think the Sabbath Bill would be passed by the Lower House of Congress.

You will find that your Congressman will be glad to know of your opinion on any piece of legislation affecting business, so why not make it a point to know your Congressman personally and then write to him frequently regarding these important matters.

Pace Institute Offers Three Year Course in Credits

Pace Institute, 225 Broadway, New York, has just announced a new three year course in Credit Science for the day school division, with a four year course in the evening school division. A number of leading members of the National Association of Credit Men have been appointed to the Advisory Board of the School of Credit Science. These include past national presidents William H. Pouch and W. H. F. Koelsch, Joseph Rubanow, President of the New York Association John L. Redmond, Vice President of the New York Association; E. B. Moran, Central Division Manager.

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Herewith our check for the Credit Manual. We will not keep it 5 days for fear you might want it back. Just one glance convinces the writer that it's worth a thousand, if no more were available and every business, especially Manufacturers should have this book.—*Chicago.*

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September Is Start for New Memberships

The month of September saw the start in most Associations on membership activities.

In this connection, National Director McBrien, of Minneapolis, presents a very interesting idea on membership committee activity. He points out that it is always best to have at least one-half of the committee members carried over from the previous year so that there will be experienced hands ready to start to work at the beginning of the season. He makes another very important and pertinent point in regard to the selection of members for this committee, with particular reference to their adaptability to sales work and to their acquiring a thorough knowledge of the product they are selling.

Grace Bennitt, Director of Sales and Promotion in the National Staff, presented the following interesting ideas in his recent bulletin to chairmen of membership committee:

"In our last Membership Letter we urged the preparation during August for intensive work in September. It is gratifying to note many associations are going ahead definitely on their work during this month. We have heard from Chairman Sondhaus of *San Francisco* definitely outlining their program. *Lincoln, Nebraska*, is planning to definitely increase their membership. *St. Louis*, which has done so much prize-winning in the last few years, is again planning a very complete membership program. Chairman Dietz emphasizes their attention to a usually weak spot in all membership plans, namely, a proper prospect file to which *St. Louis* is giving particular attention this year. A series of

letters, together with proper personal follow-up, is a natural part of their program. Chairman Heath at *Syracuse* writes of their program, with particular reference to the usage of members in promotion work. *Cleveland* has complete plans outlined which in a big center like this naturally concentrates more in the staff personnel although members will be used from time to time in "getting the door open" and assisting in the building of a prospect list.

"Particular commendation goes to the *Western Division*. Although the associations in that area are always all consistently good performers, note the showing so far this year of *San Francisco* (our Convention hosts in 1938), *Seattle*, *San Diego*, *Phoenix* and *Oakland*. How do they do it out West? Others to be commended for work during August are the two consistent performers, *Indianapolis* and *Green Bay*, together with *Omaha* and *Des Moines*."

Los Angeles "C" Men Play Baseball at Big September Field Day

Los Angeles.—The fifteenth annual outing of the Los Angeles Credit Men's Association was held at the Uplifter's Club on September 18th. A wide variety of entertainment was presented for the large number of Association members on hand to enjoy this gala event. One of the big features of the day was a baseball game between the Alley Cats and the Gas House Gang. A program of races for men and special events for women also provided a lot of entertainment. A dinner, a barbecued steak repast, was served, after which the members enjoyed dancing to the tune provided by the El Miradors.

Pacific Tour by H. H. Heimann Is Big Success

(Continued from page 50)

stamps and from the progress they are making in Denver he and his Board know their Association.

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On to Salt Lake, arriving in the very early hours of the morning, but a delegation was on hand to meet me. A nice meeting before noon with the Board and one of the best meetings I have ever attended in Salt Lake at night. Manager Horn's daughter is now a citizen of Salt Lake. Very thoughtfully, she came up to the meeting, bringing with her her husband, and so I had the pleasure of meeting bride and groom. Past Vice-President Forrest Walden, National Director Ray Wilson, present officers and others made the day interesting.

After the evening meeting another gathering at Mr. and Mrs. Peel's home. More business and more pleasure. Mrs. Bob Peel gave me more information on retail accounts than anyone I have ever conversed with. Bob and Mrs. Peel have built a beautiful home on six acres in the shadow of the Wasatch Mountains. Any man who would want more isn't right. Delightful home, splendidly furnished and radiating hospitality.

After much work and due to the able assistance of Salt Lake people managed to squeeze in the Streamliner for Chicago. Three or four hours at Niles and then on my way back to the office. Here I am, happy the trip was a successful one, conscious of the many obligations I owe for the hospitality and treatment accorded me and getting ready for the next swing.

Syracuse Has Big Plans for Tri-State Meet

(Continued from page 49)

F. C. Heath; Secretary, E. H. Stauber.

Finance Committee: Chairman, Warren Unbehend; Vice-Chairman, Arthur Stover; Vice-Chairman, Howard Tipper.

Program Committee: Chairman, Donald Mooney; Vice-Chairman, Robert Porter.

Entertainment Committee: Chairman, Wm. Kearney; Vice-Chairman, C. M. Lussier.

Registration Committee: Chairman, Harold Parks; Vice-Chairman, Russell Coonley.

Publicity Committee: Chairman Philip Smithling; Vice-Chairman, John Martino.

Transportation Committee: Chairman, Harold Kruman; Vice-Chairman, George Heitzman.

Reception Committee: Chairman, Francis Swanson; Vice-Chairman, Fred Weymer.

Ladies Committee: Chairman, Mrs. Robert S. Merrill; Vice-Chairman, Mrs. E. H. Stauber.

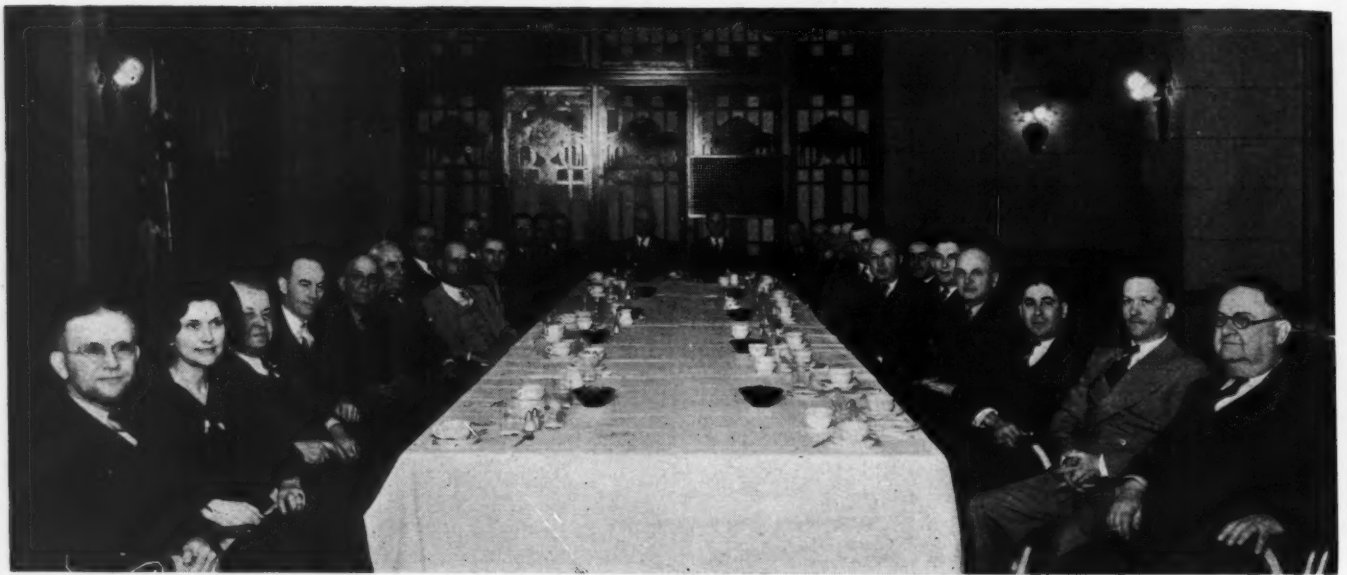
Credit Women's Group: Chairman, Edith D. Oldfield; Vice-Chairman, Alice Jewhurst.

In the case of the Lincoln Chair and Novelty Company of New York, an interesting point arose as to whether the State Government of New York or the Federal Government has prior claim to assets to cover past due taxes. After considerable argument it was pointed out that although the State Government has a lien, this did not give the State preference over the Federal claim.



Committee chairmen of the Syracuse Association of Credit Men who are planning a tri-state conference. (seated) Mrs. E. H. Stauber, Miss Edith Oldfield, F. C. Heath, R. B. Roantree, F. A. Kreuzer, R. S. Merrill, C. W. Cramp; (standing) E. H. Stauber, H. A. Parks, H. A. Tipper, W. B. Unbehend, A. W. Stover, P. A. Smithling, D. S. Mooney, J. G. Bilyea, W. H. Kearney, R. F. Coonley and J. O. Martino.

In Wichita, Kansas: The Men Behind the Association



Officers, Directors, Committee Chairmen and Past Presidents
of The Wichita Association of Credit Men

Left to right: Elmer Garrison, Jr., Wichita Assn. of Credit Men; Freddie Botts, Coleman Lamp & Stove Co.; B. L. McCausland, Ross-McCausland Seed Co.; J. Ward Gates, Wichita Wholesale Paper Co.; Fred C. Young, Insurance; C. H. Knorr, The Knorr Mercantile Co.; A. H. Eckland, Wichita Wholesale Furniture Co.; Stanley Spurrier, Spurrier & Wood; M. F. Whitlow, Deputy County Clerk; Rollo S. Thurlow, Fox-Vliet Drug Co.; L. L. Daugherty, Crane Co.; H. D. Smith, Kansas Gas & Electric Co.; N. A. Harms, Red Star Milling Co.; M. E. Garrison, Secretary-Treasurer & Manager; J. S. Wertz, Vickers Petroleum Co.; W. E. Smith, Jacob Dold Packing Co.; V. M. Dadisman, California; Vern Everitt, McKesson-Potts Drug Co.; M. R. Lee, Union Stock Yards National Bank; B. R. Rickard, Fred Dold & Sons Packing Co.; C. H. Armstrong, McCormick-Armstrong Co.; F. L. Carson, First National Bank; Homer S. Fox, Southwestern Electric Co.; V. L. Johnson, Johnson Brothers Auto Supply Co.; C. L. Stafford, Carl Graham Paint & Wall Paper Co.; R. J. Smith, Western States Grocery Co.; H. S. Ensign, Grit Printing Co.

When men engaged in any activity find themselves confronted with handicaps which cannot be overcome by individual action or through the agency of any private assistance or service, they overcome their difficulties by forming a co-operative organization or association.

The foregoing was the motivating force in the organization of the Wichita Association of Credit Men and the 120 similar organizations which form the National Association of Credit Men.

The avowed purposes of the Wichita Association were to encourage acquaintanceship, stimulate confidence and thereby effect an exchange of ledger experiences between commercial credit grantors. The Association interested itself in legislation necessary to the mutual protection of the creditor and debtor. A Code of Ethics assuring equal treatment and the protection of

the individual interests of each and all of its members was adopted and continues to be the basis on which the Association operates and serves its members.

The Wichita Association recognizes that where mutual knowledge and understanding of the individual interests of those attempting to cooperate does not prevail, then conflict of interests and competition are inevitable.

An examination of the records of any insolvent enterprise discloses lack of mutual understanding between the creditors. This is not due to differences

in the ability and judgment of the various creditors; it is the evidence of a lack of common knowledge as regards the standing of the insolvent.

Friendly assignments, bankruptcy proceedings, etc., are merely salvaging operations. 90% of the bad debt losses of business are incurred before liquidation proceedings are instituted. The members of the Wichita Association of Credit Men, and those of every other Association, endorse and support Credit Interchange Service because they recognize in it the only safe, certain "ounce of prevention" against this loss.

New Sales Tax In Michigan Is Now in Effect

Grand Rapids.—Attention is called to a new law which has just gone into effect in the State of Michigan which is known as the General Sales Tax Act which provides for a tax "on sales at retail where tangible personal property of like kind is accepted as partial payment for tangible personal property subject to tax under Act 167 of the Public Acts of 1933, as amended, credit may be allowed for the value of the commodity accepted in trade and the tax applies only to the difference between the trade-in and the amount of the sale.

"In order to take credit for such trade-ins all details of each transaction must be plainly shown on the bill of sale or invoice and the description of the merchandise accepted in trade showing serial number, or other distinguishing marks, must be available for inspection by the representative of the State Board of Tax Administration. Trade-ins are only deductible where like is traded for like."

The terms of the Act are further set out in the General Sales Tax as follows: "The term 'sale at retail' means any transaction by which is transferred for consideration the ownership of tangible personal property, when such transfer is made in the ordinary course of the transferor's business and is made to the transferee for consumption or use or for any other purpose than for resale in the form of tangible personal prop-

erty. The term 'sale at retail' includes conditional sales, installment lease sales and any other transfer of such property when the title is retained as security for the purchase price but is intended to be transferred later. The term 'sale at retail' shall not include an isolated transaction in which any tangible personal property is sold, transferred, offered for sale, or delivered by the owner thereof, or by his representative for the owner's account, such sale, transfer, offer for sale or delivery not being made in the ordinary course of repeated and successive transactions of a like character by such owner or on his account by such representative."

John W. Fitzgerald Is Mourned in New York

New York.—The many friends of John W. Fitzgerald of the William Iselin & Company, New York, mourn the death of Mr. Fitzgerald on September 17th. Mr. Fitzgerald was one of the active members of the New York Credit Men's Association. Funeral services were held on September 20th, at the Church of the Holy Spirit, University and Burnside Avenues, Bronx, N. Y.

30 Bowlers at G. Rapids

Grand Rapids.—The bowling season is underway in this Association with thirty credit men on hand each Wednesday evening, at the Elks Bowling Alley, to compete for the Club Championship. The local Association is seeking honors in the NACM Bowling Tournament this year.

St. Paul Holds First Session of Fall at Stillwater, Minn.

Saint Paul.—The Saint Paul Association held its September meeting at Stillwater, Minn. A large number motored to the Lowell Inn for a golf session during the afternoon and to attend the dinner meeting in the evening, which was addressed by Hon. Karl Neumeier, a member of the Minnesota State Senate, who spoke on legislative problems before the Minnesota Assembly.

Seek Institute Courses

Cincinnati.—The Cincinnati Association of Credit Men is engaged now in an effort to develop a National Institute of Credit as a part of the work of the Cincinnati Association. It is hoped to be able to start the courses early in October.

Enrolling Students

New Orleans.—The New Orleans Chapter of the National Institute of Credit is now enrolling students for the 1937-38 classes. The credit classes will be held on one evening of each week at the Association Headquarters.

Bowling at Cincinnati

Cincinnati. — The Bowling League now being organized with preliminary games were listed early in September.

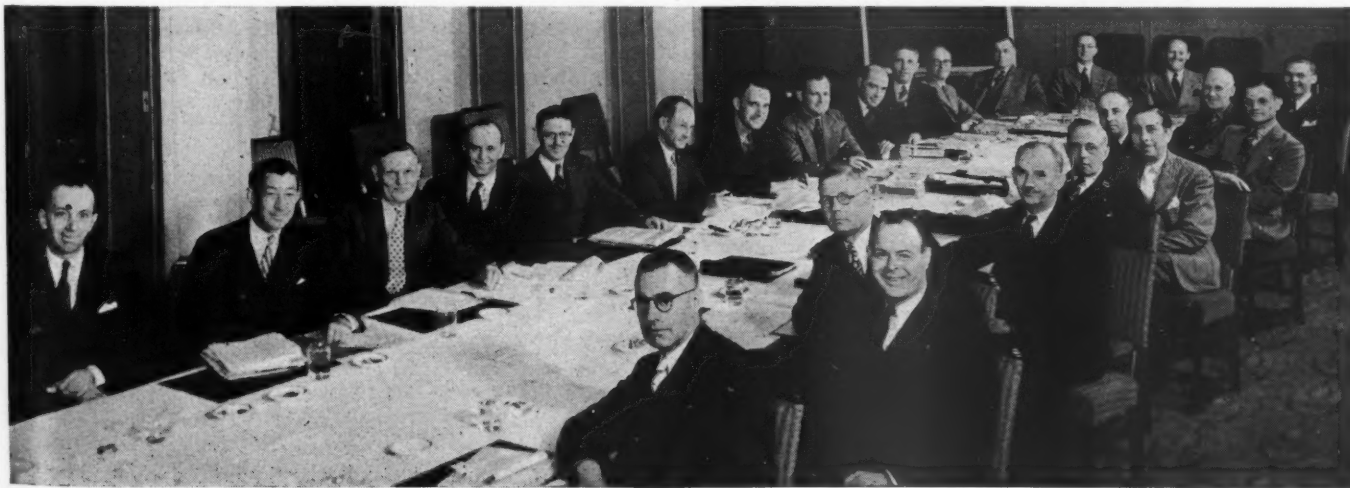
Prexy Buckner Names Committee Chiefs for Richmond Association

W. T. Buckner, president-elect of the Richmond Association of Credit Men, announces the following chairmen of committees for the current year: Legislative Committee—W. E. Albus; Publicity Committee—L. C. Bird; Educational Committee—A. W. Burket; Credit Methods and Practices Committee—R. D. Clark; Attendance and Reception Committee—Benj. S. Duval; Fire Insurance Committee—J. M. Hough; Women's Committee—Mrs. R. W. Jordan and Mrs. Lula C. Dickerson, Co-Chairman; Membership Committee—E. R. Patterson; Collection and Adjustment Committee—J. Norman Gibson; Program & Meetings Committee—J. Henry Wendt.

E. G. Parker Honored By Ft. Worth "C" Men

Fort Worth.—E. G. Parker, who has just closed his third year as a member of the National Board of Directors, was honored at the recent meeting of the Fort Worth Association of Credit Men when a printed set of resolutions was presented to him by the officers and directors of the Fort Worth Association.

Mr. Parker served as secretary of the Fort Worth Association from 1914 to 1924, later as treasurer, then as vice-president, chairman of the Board of Directors, and as president during the year 1932. He was elected a National Director in 1934 at the Los Angeles Convention.



We are indebted to Owen S. Dibbern, Manager of the Western Division for the above excellent photograph taken at the Western Division Secretary-Manager's meeting held in San Francisco on August 23rd, 24th and 25th. This is the annual session of the Association Secretaries and corresponds to the session held in Pittsburgh in September for those East of the Denver area.

As is generally the case with a gathering of this nature, a number of problems affecting credit association activities were discussed and in many cases solutions obtained.

Mr. Heimann in his very interesting page elsewhere in this section gives some interesting sidelights on this meeting.

More Chicago Convention Resolutions

Education

Being fully conscious of the desirability of a sound education in finance, accounting, economics and business administration, as a fundamental basis for the wise and judicious granting of credit, this Convention of the National Association of Credit Men assembled in Chicago, on June 21-24 1937, records with satisfaction the continued interest in this most highly important phase of Association activity, and

Whereas,—it is a further source of gratification to the Convention that the promotion of educational activities by our Association is to be expanded under the Development Program,—therefore

Be it resolved, that this Convention earnestly requests general interest in these educational activities, not alone by the juniors in credit work but also the cooperation of all local Managers as well as credit executives and other business executives in encouraging the study of sound credit principles and practices.

Fraud Prevention Work

Whereas, The National Association of Credit Men has, through its Fraud Prevention Department, done much to clear the markets of fraud, racketeers, and fraudulent failures—thus saving the credit grantors substantial sums; but knowing that such efforts require constant alertness;

Now, therefore, be it resolved, That the members of the National Association of Credit Men in convention assembled, at Chicago, June 21-24, 1937, commend the officers of the National Association of Credit Men for their untiring efforts in this department and urge the reestablishment of investigative officers at strategic points where funds are provided, in order that there may be a nation-wide coverage available to all subscribers to Fraud Prevention.

Thanks to the Press

When the pioneers in Credit met in Chicago in 1893 to discuss plans for the organization of a National Association to coordinate and develop a credit mindedness in the industrial and jobbing fields, the Press of the nation hailed the new movement as an innovation of great importance to American business.

Throughout the 42 years since the National Association was established,

the Press has immeasurably assisted our cause by publishing news about various developments in our field with consistent regularity.

On the occasion of this, the 42nd Annual Convention of the National Association of Credit Men, in Chicago, this organization again records its sincere thanks to the Press of the Nation for its co-operation during the past year, and especially thanks the Press of Chicago for its cooperation in presenting news about this, the greatest convention of business executives ever held in the United States.

With the broadening of the work of the National Association of Credit Men, as the Development program is launched, we bespeak the continued co-operation of the Press in presenting the news of accomplishments as worked out under our new program.

Thanks to the Daily News Record

Special editions of the Daily News Record of New York in which the main features of our national convention are presented in complete detail, have come to be quite as much a N.A.C.M. tradition as the printed programs distributed in our registration envelopes. Again this year the Fairchild Publishing Company, publishers of the Daily News Record, has complimented our Association by a daily distribution of special convention issues. This convention appreciates this excellent service and presents its thanks and compliments to Mr. Sylvester May, news editor of the Daily News Record for his untiring and loyal cooperation in the preparation of these special editions as well as his excellent service to the credit fraternity through the columns of the Daily News Record during the past 12 months and for many previous years.

E. M. Tourtelot

It is with a deep feeling of regret that we learn of the illness of Mr. E. M. Tourtelot, General Convention Chairman, who is at present confined in a Chicago hospital.

To Mr. Tourtelot was assigned the heavy responsibility of planning and directing the 42nd Annual Convention of The National Association of Credit Men at Chicago. How well this responsibility has been discharged is self-evident, and is its own fitting tribute to Mr. Tourtelot's ability, loyalty and inspiring leadership.

This Convention now expresses to

Mr. Tourtelot its gratitude, and records its sincere thanks for his splendid achievement.

This Convention further conveys to Mr. Tourtelot its sincere wish for his speedy and complete recovery.

Thanks to Ladies of Chicago

When in years to come, we recall the great national convention held in Chicago in 1937, we shall remember with sincere gratitude the gracious hospitality of the ladies who did so much to make our visit this year in the great central metropolis a memorable one. The entertainment provided for our wives and families, the various programs and parties arranged for us, have so enchanted every hour of our all-too-short visit in Chicago that mere words cannot express our heartfelt thanks to our ever-gracious hostesses.

To Mrs. W. J. Claussen, Mrs. L. E. Schroeder, Mrs. Allen W. Selby and Miss Mabel Wilke, as co-chairmen of the hostess committees of this convention we present our compliments, and our sincere thanks to each member of their untiring committees.

Thanks to Chicago

The Chicago Association of Credit Men has been host to the 42nd Annual Convention of the National Association of Credit Men, the largest and most successful gathering of the National Credit Executives ever assembled.

It is difficult fully to appreciate the tremendous amount of planning and genuine hard work required in accepting and discharging the responsibilities laid upon the shoulders of those who assumed the task of carrying this Convention through from its inception to its final conclusion.

Therefore, this convention now expresses its gratitude and its sincere thanks to the Chicago Association of Credit Men for the thought, time and effort that have been so generously expended to make this convention an outstanding success.

To the President, the Manager, and the Directors of the Chicago Association, together with the Committee Chairmen and all of those identified with them in this undertaking, we extend our hearty congratulations and we compliment them for the splendid results achieved.

Chicago, we greet you and we thank you.

GO-CHI-CAGO.